

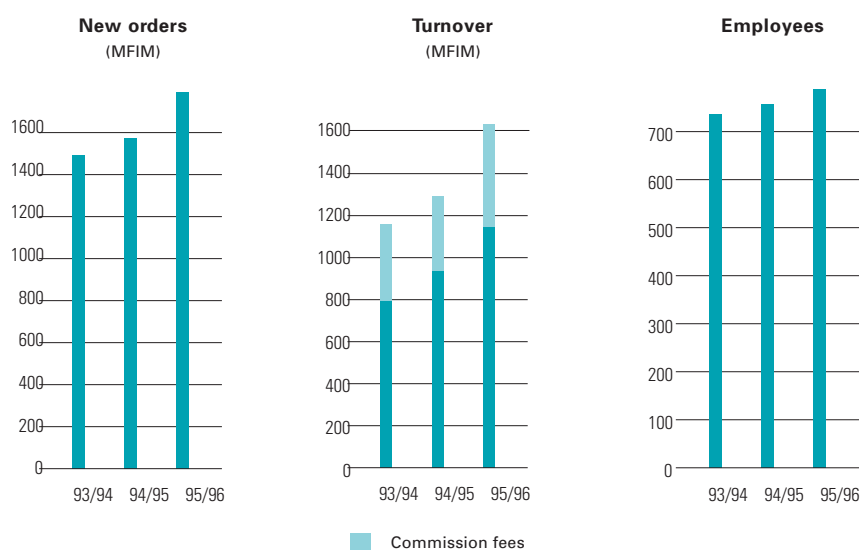
SIEMENS

**SIEMENS FINLAND
ANNUAL REVIEW**



SIEMENS OSAKEYHTIÖ – PERFORMANCE HIGHLIGHTS

(MFIM)	1995/96	1994/95	1993/94
New orders	1,791	1,572	1,491
Order backlog	1,533	1,417	1,171
Invoicing	1,638	1,291	1,159
Turnover	1,148	936	794
Profit before provisions and taxes	63	42	36
Balance sheet total	679	618	585
Return on Investment (ROI)	16	12	11
Investments	27	27	18
Employees, average	788	757	735



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Siemens in Finland

SIEMENS OSAKEYHTIÖ

SUBSIDIARIES: AS SIEMENS, ESTONIA, SIEMENS SIA, LATVIA, UAB SIEMENS, LITHUANIA

OTHER SIEMENS COMPANIES: OY SIEMENS NIXDORF INFORMAATIOJÄRJESTELMÄT AB,

BSK-KODINKONEET OY, OY OSRAM AB, GVD RAHOITUS OY

Siemens Osakeyhtiö is an electrical engineering and electronics company with a turnover of FIM 1,148 million. The company employs 788 people.

Our core businesses are telecommunications, energy, power transmission, industrial electrification and automation, transportation, security systems, medical engineering and electronics components.

Siemens companies in Finland have a total turnover of FIM 1,620 million and employ 1152 persons.

Siemens Osakeyhtiö is a fully-owned subsidiary of Siemens AG, founded in 1847. Siemens began business activities in Finland in 1855 and founded a subsidiary in 1898.

Mission Our objective is to satisfy the needs of our customers and to sustain growth in earnings. We are constantly seeking new business activities and partners.

Our recently founded subsidiaries in Estonia, Latvia and Lithuania have given us a permanent presence in the Baltic states. Siemens' expertise as a Nordic telecommunications leader has given further momentum to our activities in Sweden, Norway and Russia. We also export mobile telephone networks and software to many other countries. We are strongly committed to research and development in the fields of energy, electricity and automation technology.

Siemens Osakeyhtiö

Telecommunications

Telecommunications networks

Customers: telecom network and service operators in Finland and the Baltic states

Products and services: integrated services digital network (ISDN) telephone exchanges, mobile PBX's and base stations, data networks, broadband telecom networks (ATM), transmission systems (SDH), Internet solutions, software and technical support

Private Communication Systems

Customers: consumers, companies, public administration and entities, other organisations in Finland and neighbouring countries

Products and services: euroset telephones, cordless gigaset telephones, GSM phones S4 and S6, Hicom 300, 150E and 100E telephone systems, technical support, maintenance and training



Industry

Process Industry

Customers: pulp and paper, metal, chemical and foodstuff industries, municipalities

Products and services: part and turnkey projects, automation systems, electrical drives, electrical distribution systems, field equipment and traffic control systems

Machine Automation and Technical Trade

Customers: manufacturers of machinery and equipment, retailers, electrical wholesalers and end customers in Finland and the Baltic states

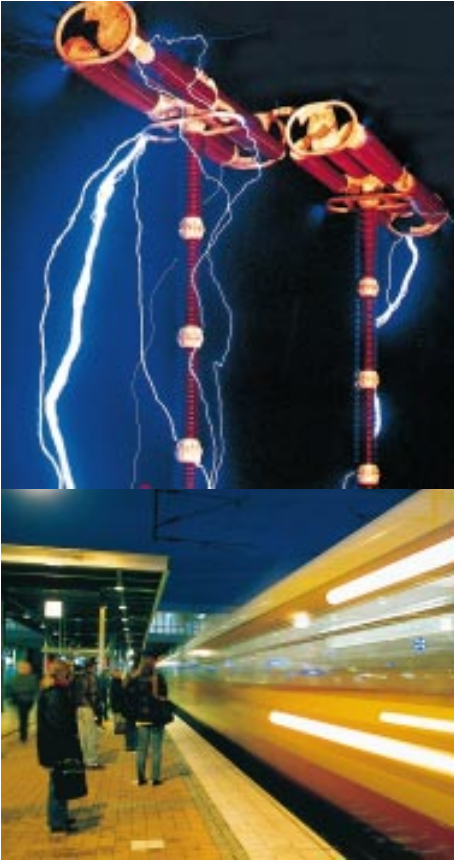
Products and services: automation products, tool machine automation systems, AC frequency converters, low voltage switch-gear, installation equipment, electric heaters, training

Industrial Services

Customers: users of low voltage devices, ASS (After Sales Services) customers in industry, partners, other Siemens groups and companies

Products and services: low voltage devices, spare parts, software engineering, manufacture, installation, commissioning, automation maintenance, maintenance agreements, replacements and customised training





Energy

Power Generation and Distribution Power Transmission

Customers: municipal power utilities, industrial power generation units, energy companies and producers of basic energy

Products and services: power plants, steam and gas turbines, power plant automation, nuclear fuel, electricity substations, remote control systems, electrification of industry and power plants and maintenance

Transportation

Transportation and Security Systems

Customers: The Finnish Rail Administration, VR Group, Electric Rails Ltd, Helsinki City Transport, railway authorities in the Baltic states, the Finnish Civil Aviation Administration and the Finnish Defence Forces

Products and services: rail traffic safety systems, railway control and electrification systems, air navigation equipment and systems, air defence, defence systems and tactical signal systems

Health Care

Medical Engineering

Customers: university and central hospitals, district hospitals, health centres and private doctors' practices

Products and services: medical imaging, intensive care and patient monitoring systems, data systems and technical services for health care in Finland and the Baltic states



Components

Electronics Components

Customers: telecommunications manufacturers, the Finnish electronics industry

Products and services: semiconductors, passive and electromechanical components and connectors



On the road to rapid change

The year under review saw Siemens Osakeyhtiö's turnover exceed FIM 1 billion for the first time. The number of new orders, our turnover, order backlog and operating profit all grew. Performance was satisfactory and developed encouragingly towards the goals we have set ourselves. The importance of the Baltic states continued to grow. Our business activities in Estonia, Latvia and Lithuania developed encouragingly.

New market area in the Baltic states The overall Baltic market is larger than the Finnish one. As a supplier of infrastructure and turnkey projects, this represents major growth potential for Siemens Osakeyhtiö.

Establishing activities in new markets calls for an insight into the new business environment, commercial life and society as well as into the opportunities for cooperation. The activities of our subsidiaries in Estonia, Latvia and Lithuania have got off to an encouraging start, and achieved good growth.

BSK-Kodinkoneet Oy, which is now a subsidiary of Bosch-Siemens Hausgeräte GmbH, took over the sale and marketing of household appliances on 1 April 1996. BSK-Kodinkoneet now operates directly in its own sector, closer to its markets and customers than it did when it was part of an industrial company.

Broader business activities Our R&D work in Finland has resulted in us becoming the North European telecommunications business and competence centre. We have also achieved a sound track record in the industry and energy sectors, and are further consolidating overall activities in this sector.

Siemens has been serving Finnish industry and commerce for almost 100 years. The subsidiary founded in Finland in 1898 has recently seen an expansion of its business area to the Baltic states and, in some sectors, to Norway and Sweden. Internationalisation increases Siemens Osakeyhtiö's market area, and generates new opportunities for inter-company cooperation.

Our parent company, Siemens AG is a major technological innovator with a presence in around 190 countries. This gives our customers an international sales, maintenance and service network. Additionally, environmental protection has long been a major focus of Siemens' corporate mission. Not only does Siemens



supply environmental protection technologies, it also takes environmental issues into account throughout all steps of its production processes, starting with R&D.

Customer priority The significance of demanding software development and design work continues to grow. Intelligence work is increasingly associated with new technological solutions in which the quality of our own expertise is a vital competitive component. Customer service means a good insight into our customers' businesses and committing ourselves to building solutions in cooperation with the customer. This is the best way of utilising quality technological expertise and operating as flexibly as possible.

As a turnkey supplier, Siemens has a raft of experience of large projects in Finland, as well as of smaller modernisation and maintenance projects.

Our newest business group, Industrial Services, is responsible for software engineering, installation, commissioning, training and maintenance work.

Future activities will focus on projects and various joint ventures with customers in Finland and abroad.

Changing corporate culture Our past methods are no longer flexible enough for us to respond to the requirements of the rapidly changing business environment in



which we operate. Siemens must continue to forge ahead with introducing its new business culture. There is no going back along the path of change on which we have embarked. Our comprehensive process of change has become a way of life as we shape up for the next millennium. This is why we are undergoing a period of dynamic development.

Despite increasing pressure, we must keep the workload within reasonable limits. The well-being of our people is the well-being of our company.

When I took over as managing director on 1 October 1994, I considered my first goals were to enhance customer relations, to increase sales and to improve performance. The positive development of activities and strengthened profitability are in the common interests of our customers, our company and our people, and safeguard future business.

The measures we have taken and expansion of our market area have enabled us to further consolidate our opportunities, to achieve a growth in turnover and to improve our performance.

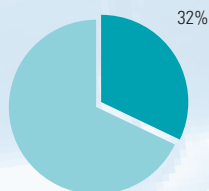
Goals are needed Customer service and contact is one area in which we still have clear room for improvement. Progress in the right direction is already evident. Once the pace gathers momentum, we will be much nearer our goal. We will then be much better placed to face the following round of new changes to enable us to respond to the most challenging demands of our customers.

Erkki Järnefelt

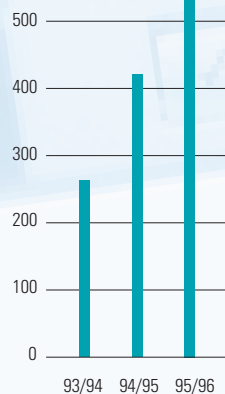
Telecommunications

Finland is home to Siemens' North European telecommunications business and technology centre. In recent years, Siemens Osakeyhtiö has significantly expanded and increased its share of telecommunications software development. Finnish-made software is now exported to many countries around the world. Mobile telephone network projects are currently under way in various parts of the world, and telephone exchanges are being sold not only to Finland and the Baltic states, but also to Norway and Sweden.

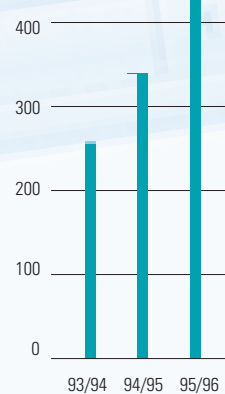
Telecommunications' share of total new orders



New orders (MFIM)



Turnover (MFIM)



■ Commission fees



Business Group Director
Pertti Laukkanen

Telecommunications Networks

The group develops, markets, manufactures and maintains telecommunications systems and software for telecommunications network and service operators in Finland and the Baltic states. We also export products and services to many other countries.

Our core products and services are ISDN (Integrated Services Digital Network) telephone exchanges, mobile PBXs and base stations, data networks, broadband communications (Asynchronous Transfer Mode), transmission systems (Synchronous Digital Hierarchy), Internet solutions, software production and technical support.

During the year under review, Siemens' major customer, Helsinki Telephone Company Ltd, successfully completed a project to digitise all telephone exchanges in the Helsinki Metropolitan Area 15 years ahead of schedule. Siemens has been one of the leading suppliers of technology since the project's very outset, and has delivered a total of over one million EWSD switching connections to Finland.

The group's turnover rose by 43 per cent, in comparison to the previous year, with particularly good growth from mobile telephone networks and activities in the Baltic states. Telecommunications projects in the Baltic states, new technical solutions for residential and business connections in local telecommunications networks (Access) and broadband (ATM) services continue to provide opportunities for growth.

Growing wireless networks During the financial year, Siemens concluded a frame contract to supply the Finnet Group with base stations (Digital Cellular System) in the mobile telephone network. Radiolinja Oy has placed orders with Siemens for new technology GSM switchboards and intelligent networks. We also concluded a frame contract with Eesti Telefon of Estonia to deliver transmission systems. In addition to those from Estonia, Siemens has also received major orders for transmission



Base station controls
and transcoder based on
GSM/DCS voice coding
at Siemens' test centre.



systems from Latvia and Lithuania. Siemens Osaakeyhtiö is also involved in mobile telephone projects (GSM) in Russia, Ukraine, Estonia and Lithuania. Products of our own software development have been exported to Sweden, Norway, India, Lebanon, Hong Kong, the Philippines, Thailand, Pakistan and the UK.

Intelligent networks increase services Information superhighways already exist. By international comparison, Finland has a very sophisticated and modern telecommunications infrastructure, complemented by new technologies and applications. Siemens expects growth in mobile telephone networks to continue. Further competition in local calls will increase the demand for cellular networks. Intelligent telephone services, multimedia, video on demand and use of the Internet are growing, as is the need for broadband connections. New services required by homes and businesses will continue

to stimulate the markets.

Siemens' strength lies in its command of total telecommunications solutions, which gives rise to an encouraging outlook. Siemens and its partners have a significant technological position on the local telecommunications (Access) and broadband (ATM) markets.

Own expertise - a major future factor The group aims to collaborate even more closely with customers. This requires a deep insight into their activities. Increasing the pace and discovering quality solutions in a constantly changing business environment present us with permanent challenges. Telecommunications will continue to grow in importance.

Backed by its own highly successful R&D activities, Siemens Osaakeyhtiö has grown into Siemens' telecommunications business and technology centre in the Baltic rim. We intend to further consolidate this position.

Private Communication Systems



Business Group Director
Jukka Pertola

The group sells, delivers and maintains PBXs, their accessories and a comprehensive range of terminal equipment. Our customers include consumers, companies, public administration and entities, as well as other organisations in Finland and neighbouring areas.

Private Communication Systems forms Siemens' North European competence centre. The group is responsible for activities associated with

telephone systems not only in Finland, but also in the Baltic states, Norway and Sweden. Our mission is to retain a high level of competence in Finland, and to sell Finnish expertise throughout Siemens. We have witnessed dynamic growth, with turnover tripling within three years.

Our core products are euroset phones, the cordless gigaset models, S4 power and S6 GSM phones, and Hicom 300, 150E and 100E telephone systems. We market telephone systems and terminal equipment through the Finnet Group. Siemens terminal equipment is sold by TeleRing shops, Tekniset outlets, Setele shops and the Prisma department stores chain.

Rapid upgrade of product range Upgrading our product range has progressed swiftly within all product groups. Cordless gigaset phones based on the European DECT (Digital European Cordless Telephone) system have achieved market leadership. Euroset has long been the best-selling telephone range in Finland. An intensely competitive market resulted in GSM telephones fail-

ing to achieve their target.

Improved operations and volume growth offset falling prices.

The group has a particularly strong position in the telephone systems market for small systems, large networks and turnkey solutions. In the medium-large sector, Private Communication System challenged competitors with the new Hicom 150E, sales of which began as envisaged. We aim for market leadership in this sector.

Reliable PBXs for new customers In Finland, Private Communication Systems delivered large Hicom 300s to the National Board of Patents and Registration, Helsinki School of Economics and Business Administration, Kemijoki Oy (Finland's leading producer of hydro-electricity), the Meteorological Institute, the student body of Helsinki University of Technology at Teekkarikylä, and the Lindström companies. Siemens also received Hicom 300 orders from Forex Bank and Tallinn University of Technology in Estonia. Eesti Energia ordered a nationwide Hicom 300 network featuring 25 PBXs. In Latvia, our newest customers are Hotel de Rome, Zemes Banka and Air Baltic, in Lithuania, the Civil Aviation Authority and the Ministry of Defence.

3M AB of Sweden and IBM Norway, with their global exchange networks, purchased Hicom 300 PBXs from Siemens. A notable reference is Oslo's new international airport at Gardemoen, from which Siemens won an order for a Hicom 300 network in the face of tough competition.

New technology Private Communication Systems is launching new wireless telephone systems, telephones and dual-mode telephones onto the market. Cordless telephones and base stations, based on the GAP (Generic Access Profile) standard, for home and office use enable



Cordless phones are becoming a common feature at home and work.



Light and handy, gigaset climbed to the top of the cordless phone market. The latest gigaset 1054isdn.



Siemens has a sound position in the large PBX market.

equipment from different manufacturers to be combined and linked to a GSM/DECT phone. This dual-mode telephone also functions as a cordless telephone in offices and in the home, and automatically changes to a conventional GSM telephone when moved elsewhere. Siemens' new gigaset telephones and base stations naturally comply with the GAP standard.

Software and terminals for Hicom telephone systems are being upgraded. Siemens' new digital "optiset" telephones are ideal for Hicom systems of all sizes, and offer a thoroughly new type of easy-to-use user interface, which has been patented throughout the world. Telephone system development is giving priority to various supplementary services, turnkey solutions and cordlessness.

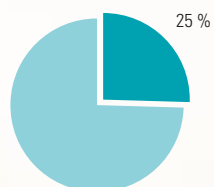
Encouraging outlook The outlook for growth remains good in all product sectors. The market for mobile and cordless telephones continues to grow.

Increasing customer demands, widespread networking and the dynamic pace of technological progress call for ever-increasing expertise in telephony and data systems management. Through market leadership, we aim to ensure that we have adequate resources to respond to increasing business activities and technological advances. Our highly professional retail channels, partners and subcontractors play a vital role in sales and in carrying out projects.

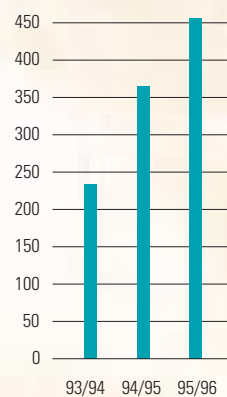
Industry

Siemens' Industry group has consolidated its position as an implementer of electrical drive and automation projects in the Finnish pulp and paper, metal and foodstuff industries. Industry is also a subcontract partner in Finnish industrial and engineering projects at home and abroad.

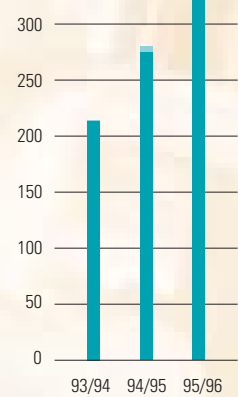
Industry's share of total new orders



New orders (MFIM)



Turnover (MFIM)



■ Commission fees



Business Group Director
Timo Karppinen

Process industry

Process Industry delivers part and turnkey projects, automation systems, electrical drives, electrical distribution equipment, field equipment and traffic control systems.

Our customers include the pulp and paper, metal, chemical and foodstuff industries, and local authorities. Process Industry is also a subcontract partner in export projects in the Finnish engineering industry.

With an insight into the business of our Finnish customers, coupled with Siemens' expertise, we have made significant progress in domestic and international projects. This is further borne out by Siemens' track record as a supplier of electrical drives, electricity distribution and automation systems to the pulp and paper, basic metal and chemical industries.

Partner in the pulp and paper industry Industrial investments greatly affect Process Industry's business. In 1996, the Finnish pulp and paper industry invested heavily in new production facilities. There were also production expansion and modernisation projects in other industrial sectors. Keen investment had a positive impact on new orders, and Process Industry saw its turnover grow.

Siemens delivered Master Drive electrical drives, high and low voltage motors, and oxygen and ozone compressors to the Metsä-Rauma pulp mill. We delivered Master Drive line drives to UPM-Kymmene's release paper mill at Tervasaari. Siemens was also involved in replacing the electrical drives of two slitter-winders at Enso's Summa mill, and the electrical drives of the paper machine and slitter-winder at UPM-Kymmene's Jämsänkoski mill.

UPM-Kymmene ordered Siemens Master Drive electrical drives for its Lappeenranta pulp mill. Enso chose Siemens to supply the Lumi project at Oulu with high and low voltage motors.

As part of UPM-Kymmene's Rauma 400 project, Siemens is supplying TMP refiner motors and suction pumps for the paper machine vacuum system.

Numerous deliveries of our Master Drives to Finnish industry bear witness to yet another successful Siemens product innovation. Siemens' Process Industry group has shown itself to be a reliable partner in electrification and automation subcontracts to the Finnish engineering industry.

Electrical drives for
UPM-Kymmene's paper
machine at Tervasaari.



Siemens delivered Master Drive line drives to UPM-Kymmene's release paper mill at Tervasaari.





Business Group Director
Mauri Silverberg

Extensive range of solutions, from steel works to the foodstuff industry We delivered a Simatic process automation system to AGA's production plant in Riihimäki, and were responsible for electrification and automation of the stretching and straightening process at Outokumpu Polarit. Siemens will replace the main drive of the hot strip mill at Rautaruukki's Raahel Steel Works. Modernising Rautaruukki Hämeenlinna Works' Tandem cold rolling mills includes power distribution, electrical drives and automation. This modernisation is one of the largest electrification and automation projects in the history of the Finnish steel industry.

Siemens has also successfully consolidated its position as a supplier of automation systems to the foodstuff industry. This is evidenced by a delivery of Simatic process automation systems to Valio's dairy production plants in Haapavesi and Oulu.

Process Industry is supplying automation systems for a district heating network in Tallinn, Estonia. Siemens has upgraded the traffic signal control computers in Espoo, Raisio and Turku. In addition, we supplied phase 1 of a new camera surveillance system to be used in traffic control in Turku.

Future prospects Next year will see investments by the Finnish pulp and paper industry fall to their 1995 level. Major investments in the metal industry are expected to remain at the same level as the previous year.

Although the Baltic states are still investing in infrastructure projects, the pace of these is being slowed by lack of finance.

Whilst Process Industry reported significant growth for the year, we expect new projects in the foreseeable future to be mostly minor ones or those involving modernisation.

1997 will see Siemens launch a new Simatic process control system. New technological solutions to connect electrical drives, electrical distribution equipment and field equipment to Siemens Profibus technology will offer further benefits in industrial electrification and automation applications.

Machine Automation and Technical Trade

The group is responsible for product sales and the marketing of automation systems and electrotechnical products to machinery and equipment manufacturers, retailers, wholesalers and end customers in Finland and in the Baltic states. The group's core products are automation systems, tool machine automation systems, AC frequency

converters, low voltage switchgear, installation equipment and electric heaters.

Machine Automation and Technical Trade's sales remained at the same level as the previous year, when customers invested heavily in production expansion. The machine engineering industry has been working at full capacity in 1996.

We supplied automation products to Valmet, Kone KCI in Hyvinkää, Tamglass, Cimcorp and to Lillbacka Oy, Finland's leading engineering companies. Siemens delivered automation components and low voltage switchgear to Nokia Maillefer, a well-known cable machinery manufacturer.

Art and Technology A significant new project is a lighting control system to be delivered to the Museum of Contemporary Art, currently under construction in Helsinki.

Sähkö-Aro Oy is responsible for the electrical contracting work in the Museum, with Siemens having full responsibility for lighting control. The lighting system will be carried out using Siemens' Instabus technology. This system is a sophisticated lighting solution in which light sensors react to the strength of daylight, automatically adjusting the amount of artificial light accordingly. The system can be simply operated using a PC touch screen. Artists can store the most suitable lighting effect for their works in the system's memory.

Instabus systems create new opportunities for solutions to larger, more demanding construction projects. Additionally, Instabus helps save energy and materials.

The group expanded its sales and product range and enhanced cooperation in electrical wholesale activities with Onninen and Asea Skandia. Construction repair projects increased electric heater sales.

New products increase market share The machine engineering industry has become more positive with respect to exports. The general outlook in the electrical wholesale trade is slightly more optimistic for 1997.

Our Simatic S 7 equipment is being upgraded to better respond to customer requirements. This and many other innovative products have given us greater opportunities for growth and expanded our customer base.

New products include the small LOGO! - a good example of Siemens' innovation. LOGO! logic modules replace traditional controls in equipment manufacture and in real estate. Since they save costs, materials and time, Siemens is convinced these products have a successful future. LOGO! logic modules are supplied by electrical wholesalers and retailers.

Sales channels in the Baltic states are local and Finnish retailers, wholesalers and Siemens' subsidiaries.



Tamglass in Tampere uses Siemens' automation to manufacture vehicle windscreens.



Siemens' Instabus will be used to carry out the lighting system in the Museum of Contemporary Art, currently under construction in Helsinki.



Industrial Services software engineers are familiar with production processes.



Business Group Director
Martti Nuikka

Industrial Services

Industrial Services' products and services include low voltage devices, spare parts, software engineering, manufacturing, installation, commissioning, automation maintenance, maintenance agreements, replacements and customised training. Customers include users of low voltage devices, ASS (After Sales Services) customers in industry, our partners and other Siemens groups and companies.

Industrial Services became a separate business group in 1995. The change was a significant one and has proved to be correct. It has also had a beneficial impact on improving our performance.

Dependable project expertise Major sales and projects we won during the year under review included a buildings service surveillance system for the Philip Morris tobacco factory in Lithuania, and modernisation of the surveillance system of the metro complex at Vuosaari in Helsinki. As a subcontractor for AWA - Advanced Warehouse Automation of Helsinki, we delivered bulk goods automation to Outokumpu Polarit in Tornio, northern Finland.

Industry is also cooperating with Siemens AB in Sweden and delivering equipment to Sweden.

The high level of industrial investment in Finland led to Industrial Services taking part in planning several electrical drive projects, in manufacturing electrical drives and

in replacing machine tool controls. We delivered electrical drives to Nokia Maillefer, a leading manufacturer of cable machinery.

Expert installation The group cooperates closely with various companies, including Tekmanni and Harju Elekter, in Finland and in the Baltic states. Tekmanni specialises in installation contracts and Harju Elekter is an Estonian-based electrical engineering company. Industrial Services also cooperates with Leppävaara Vocational Training College.

Manufacture of Sivacon low voltage devices got under way in Finland, and work started on merchandising applications of the new Simatic automation system. The year under review saw the establishment of a new factory computer systems group. This group primarily makes application software for industry.

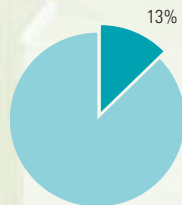
Fast, reliable service The group is committed to an ongoing improvement in service and to achieving a high level of proficiency in the latest technology. Key challenges facing us include delivery speed and reliability, and customer satisfaction. Likewise, investing in professional competence is also of paramount importance. The group trains its own staff and those of Siemens' Baltic subsidiaries.

Industrial Services is also determined to increase its share of the After Sales Service market.

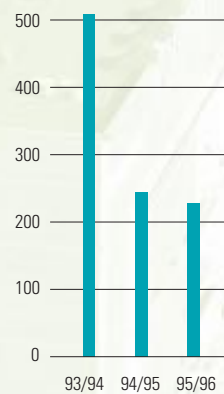
Energy

Power Generation and Distribution supplies power stations, steam and gas turbines, power station automation, nuclear fuel, maintenance services, electricity substations, remote control systems and industrial and power station electrification projects. The group's major customers include municipal energy plants, industrial electricity producers, energy companies and producers of basic energy.

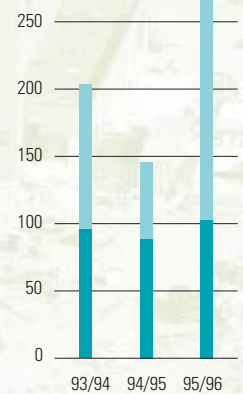
Energy's share of total new orders



New orders (MFIM)



Turnover (MFIM)



■ Commission fees



Business Group Director
Pertti Huhta

Siemens delivered a 100 MW turbine to Metsä-Botnia's Kemi mill.



When in use, gas turbine ailerons are exposed to temperatures of up to 1400°C. They are given a new surface finish and corrosion protection every few years.



Power Generation and Distribution

Our large power station projects are progressing as planned. A 100 MW turbine for Oy Metsä-Botnia Ab's Kemi mill, an 85 MW turbine for Oulun Voima Oy and a 29 MW turbine for Nokian Lämpövoima Oy are scheduled for delivery in 1997.

During the year under review, 320 MW gas turbines were delivered to Helsinki Energy. These are scheduled to enter into commercial service in autumn 1997. The confidence and trust placed by industry and power producers in Siemens' power station machinery reflects its high efficiency, reliability and environmental friendliness.

Major projects have given the group a good order backlog.

The most significant contract during the year under review covered the supply of nuclear fuel to Teollisuus-

den Voima Oy in 1998 and 1999. The fuel corresponds to the expected increase in energy requirement.

Projects in the Baltic states predominantly focus on upgrading existing power generation processes through outside funding.

Outlook depends on energy decisions Although several power plant schemes concerning the generation of basic energy are pending in Finland, no firm decisions have yet been taken. Nor have any decisions on district heating plants been made to date. Large energy producers aim to build additional capacity. A decision to build at least one large plant may well be made during 1997. Investments in basic energy production and district heating plants greatly affect the group's future outlook.

Power transmission

Notable projects during the year under review included high voltage electrification of UPM-Kymmene's Kaukas mill and Metsä-Botnia's Kemi mill, and turnkey electrification projects delivered to Ahlström in Indonesia and to Foster Wheeler Energy in Thailand, which were carried out as subcontracts.

The first 330 kV substations in Estonia built to IEC standards were commissioned in June 1996, in successful cooperation with Eesti Energia and Pohja Elektrivorgud.

Although the power transmission markets were fairly quiet in early 1996, demand picked up against a background of growing industrial investments.

Major new orders were high voltage electrification of UPM-Kymmene's Rauma 400 paper machine, including main transformers and medium voltage switchgear, remote control systems ordered by Imatran Voima and 110 kV GIS switchgear to be delivered to Helsinki Energy.

Market outlook The 1997 power transmission market in Finland seems likely to remain more or less the same as it was in 1996.



Teleperm X represents the latest power plant automation technology.

The Estonian and Latvian markets have developed encouragingly. Siemens received its first project to refurbish an electricity substation in Latvia. This favourable market trend in the Baltic states is expected to continue.

Power Generation and Transmission seeks to foster long-term customer relations and to enhance its ability to serve. In longer-term projects, it is particularly important for us to gain an insight into our customers' activities and aspirations.

Managing Director,
Business Group Director
Erkki Järnefelt



Transportation and security systems

Transportation's core products and services are safety equipment, operational control and electrification systems for rail traffic, air navigation equipment and systems, air defence, defence systems and tactical signal systems. Our customers include The Finnish Rail Administration, VR Group Ltd, Electric Rails Ltd, Helsinki City Transport and railway authorities in the Baltic states.

The Security group's major customers are the Finnish Civil Aviation Administration and the Finnish Defence Forces.

Transportation progressed encouragingly during the year under review, with new orders up by over half on the figure for the previous year.

Safety at ever-increasing speeds Track electrification work continues in Finland and train speeds are increasing. This further highlights the safety of rail traffic and level crossings. The year under review saw rail signalling and safety systems enter into commercial service on the stretch of track between Espoo and Kirkkonummi. This is part of a larger project, and work is under way on the track between Espoo and Huopalahti. A similar project was commissioned on the stretch of railway between Luumäki and Vainikkala near the Russian border.

New projects The group received an order for interface computers. These computers are linked to relay interlocking for the ATC (Automatic Train Control) System. Spring 1996 saw Siemens sign a contract with The Finnish Railway Administration to install electronic interlocking on the Tampere-Pori/Rauma stretch. The project also includes level crossing management, which will be carried out using Siemens' Simatic logic. Siemens continued to deliver components for electrification of the Tampere-Pori/Rauma line, and also won an order to extend automation of the additional tracks at the marshalling yard in Tampere.

European strength Siemens continues work on developing air navigation systems complying with Euro-

pean standards. Defence and security systems are also being developed in the Baltic states.

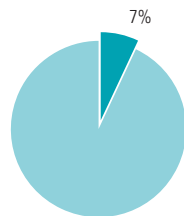
In Europe, Siemens is a notable supplier of security systems, which account for DM 1.3 billion of Siemens AG's turnover, most of this sum is derived from defence electronics and defence systems deliveries. Siemens is also involved in the PATRIOT air defence system, especially in the development of its control system.

In the sector of both civil and defence technology, surveillance radars are a good example of Siemens' outstanding expertise. Watchman S radars, used in air traffic management and, for defence purposes, the new MESAR multi-function radars, shortly to be launched on the market, represent the latest technology.

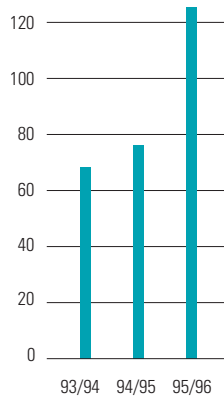
Construction continues Several investments to upgrade the railway network in Finland mean that the group's activities are likely to remain stable in the foreseeable future. Rail traffic also requires new safety equipment and systems.

In the Baltic states, port control and air navigation equipment and systems projects are to be assessed. The scope of such investments, if they do get under way, depends on finance. In Finland, Siemens is very much involved as a supplier of safety systems for rail traffic. As a strong European manufacturer of security and defence systems, Siemens sees encouraging opportunities to expand its activities in Finland and the Baltic states.

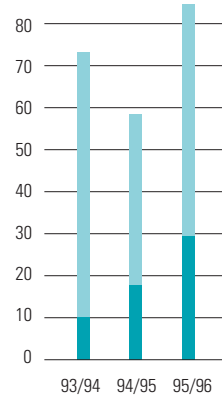
Transportation's share of total new orders



New orders (MFIM)



Turnover (MFIM)



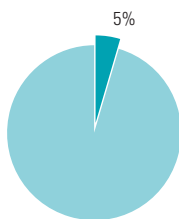
■ Commission fees



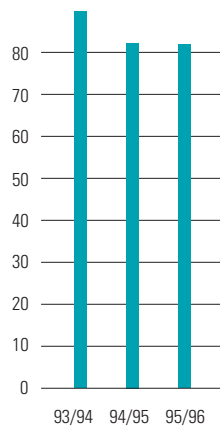
Health Care

Medical Engineering supplies imaging, intensive care and patient monitoring systems to health care providers in Finland and the Baltic states. Our customers include university, central and district hospitals, health centres and private doctors' practices.

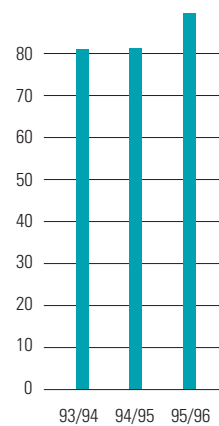
Health Care's share of total new orders



New orders (MFIM)



Turnover (MFIM)





Business Group Director
Risto Miettunen

Medical Engineering

The group's turnover rose and the operating result was satisfactory. The mainstays of our business activities are medical imaging systems, computer tomography (CT) and magnetic resonance imaging systems (MRI), as well as angiography systems for use in heart and vascular examinations.

Deliveries throughout Finland Siemens delivered CT systems to Kanta-Häme Central Hospital in Hämeenlinna, and to Iisalmi and Varkaus district hospitals. Likewise, Pohjois-Karjala Central Hospital in Joensuu, Kymenlaakso Central Hospital in Kotka and Keski-Suomi Central Hospital in Jyväskylä also placed orders for Somatom Plus 4 systems.

Siemens delivered Multistar T.O.P. angiography systems to Tampere and Kuopio university hospitals, and a Coroscop HiP cardiac angiography system to Vaasa Central Hospital.

New orders Helsinki University Central Hospital (HUCH) placed an order with Siemens for a 1.5 Tesla Magnetom Vision MRI system and a Somatom Plus 4 CT system. Siemens also supplied HUCH with a Multistar T.O.P. angiography system.

Helsinki University Central Hospital and Siemens AG have been successfully working together for many years in the field of magnetic resonance imaging. This latest delivery further enhances and broadens cooperation between the hospital and the system manufacturer.

Kuopio University Hospital also ordered a 1.5 Tesla MRI system and Puijon Magneetti ordered a 1.0 Tesla Magnetom Impact Expert system from Siemens.

Cost-effective investments In recent years, technological progress in magnetic resonance imaging and computer tomography - both hardware and software - has forged ahead. Fast, thorough examinations mean that diagnoses and start of the correct treatment can commence without undue delay. Technological progress, therefore, helps save both time and resources. Nowadays, magnetic resonance imaging can already be applied to almost all medical examinations.

In Finland, just as in many other countries around the world, spending cuts in the health care sector have become tighter, and new ways to save costs are constantly being sought. Overall investments in technology have also fallen, whilst competitive pressure has increased.

Investments in medical equipment are justified, even at the local health care level. If a district hospital is able to carry out examinations, patients no longer need to travel long distances away from home.



Siemens has supplied several MRI systems in Finland.

Future challenges The group seeks to expand its product range and areas of expertise. Tomography technologies are currently Siemens' strongest sector. 1997 will see the launch of new radiotherapy systems, which are also expected to become a new core product group.

Data networks are also becoming widespread in the hospital world. Images stored in electronic format can be instantly transmitted from one place to another, thousands of kilometres away. The findings of medical examinations can, for example, be transmitted via a network for specialist comment.

Siemens has a raft of sound experience and expertise in telecommunications, information technology and medical engineering. This enables the production of new services in an increasingly networked world. Siemens is collaborating with telecommunications carriers and other partners to ascertain how it can best generate local added value and respond to new demands in this sector.

Technological services are of great significance. Customer feedback confirms Siemens' track record of technological excellence. We are committed to further improving this expertise.



Sales Group Director
Henrik Lundberg

Components

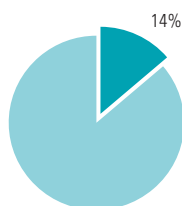
Electronics Components come under Siemens' Stockholm-based Scandinavian sales group. The group supplies semiconductors, passive and electromechanical components and connectors to telecommunications manufacturers and to the Finnish electronics industry. Farnell and Hatteland are the group's distribution channels in Finland.

Electronics Components

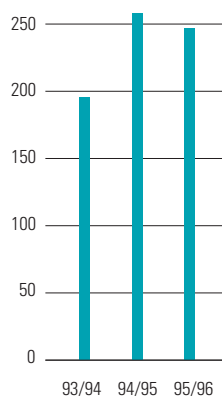
Scandinavian success In the Scandinavian sales group, Finland and Sweden continue to lead the way in sales of Siemens' telecommunications components. The group's major customers, Ericsson, Nokia Mobile Phones and Nokia Telecommunications have all increased production. Finland's components group coordinates component deliveries to Nokia's production facilities throughout the world. Reliable logistics and a fast flow of goods and information are essential, since customers appreciate supplier proximity. In addition to Europe, Siemens has component production facilities in the US, the Far East and in South East Asia.

Sharp fall in prices The group's turnover remained unchanged on last year's figure. A sharp fall in prices on the global components market weakened profitability. Electronics Components' business is highly sensitive to economic trends for a number of reasons. Components manufacturers increase production capacity only after very careful consideration because of the prohibitive costs of building production plants to meet the extremely rigorous demands of high technology. When component availability is scarce, prices rise rapidly. Customers' stockpiles also affect seasonal demand.

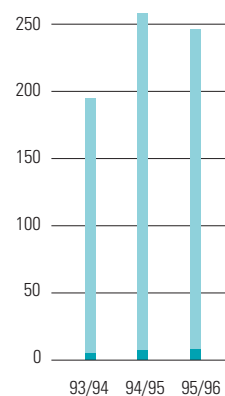
Components' share of total new orders



New orders (MFIM)



Turnover (MFIM)



■ Commission fees

A world of information in a small chip The pace of development is fast in telecommunications components. One chip contains increasingly more features. In addition to telecommunications components, Siemens also has a strong position as a supplier of surface acoustic wave filters in Finland. We have done much R&D work with our customers. Products to meet special needs benefit both the customer and manufacturer alike.

Multimedia and Internet applications place new demands on data transmission. This in turn affects telecom-

munications and data networks, terminal equipment and components. The industry is growing and advancing in long strides. Siemens is constantly developing products and components relating to the industry.

The demand for ISDN (Integrated Services Digital Network) has grown tremendously as use of the Internet increases in Europe.

Cooperation with customers is giving rise to ASSP (Application Specific Standard Products) circuits in response to the latest demands.

Subsidiaries

Siemens Osakeyhtiö's Baltic subsidiaries employ around 50 persons. New orders totalled FIM 169 million. Although the majority of sales are deliveries of telecommunications networks and private communication systems, the Energy and Industry groups have also carried out power transmission and automation projects in the Baltic states.

AS Siemens, Estonia

Over the past couple of years, the Estonian economy has developed encouragingly. Inflation is now below 20 per cent, compared to around 30 per cent just one year ago. The economy is expected to grow by 4-5 per cent in 1997. The Estonian economy has improved faster than the economies of the other Baltic states.

Investments have been mainly in telecommunications. EestiTelefon intends to bring forward telecommunications projects. There are moves towards privatisation in the energy sector. A new energy bill is currently being processed, and investments will pick up after the changes. Foreign investments are increasing in the chemical industry. Plans are also under way for projects in new process industries and in environmental control.

Estonia is striving to achieve a position of most-favoured nation in trade with Russia. This would lead to the development of transit transportation, and promote technology investments in Estonia's railways and ports.

Siemens SIA, Latvia

In Latvia, as in the other Baltic states, services account for the greatest share of GNP. Although Russia is the major trading partner, most growth has been in imports and exports with EU states. At the end of 1995, inflation in Latvia was still 23.1 per cent. Spring 1996 saw a major slowing of the inflation rate, which had fallen to 17.4 per cent in May 1996.

Public investments for 1996-1998 are expected to focus mainly on improving transportation, power generation and environmental protection. There are several projects under consideration to develop transportation and ports. Transit activities are also important in Latvia, home to Ventspils, the largest port in the Baltic states. In 1995, 29.4 million tonnes of freight, a significant part of which was oil shipments, passed through Ventspils.

UAB Siemens, Lithuania

Privatisation of state property in Lithuania started in 1991. To date, several thousand companies have been privatised. Lithuania has only a handful of large industrial plants. These are loss-making and dogged by poor productivity. Foreign investment has been much lower than hoped for. This is because work is still under way on developing the economy and legislation.

Although imports have increased considerably from EU states, Russia continues to be Lithuania's main trading partner. In common with the other Baltic states, Lithuania has a trade deficit.

The Lithuanian inflation rate is well over 20 per cent, something which was not helped by the December 1995 bank crisis.

The Siemens Group employs 886 people in the Baltijos Automobiliu Technika factory founded in 1993 in Klaipeda. The factory produces electrical components for the automobile industry.

Other Siemens companies

Oy Siemens Nixdorf Informaatiojärjestelmät Ab (SNI) is an information technology company supplying hardware, systems, software and customised solutions to customers in a range of sectors. SNI's major customer groups include municipalities, health care, commerce, industry, energy, the state, telecom operators, property management, banks, insurance companies and consumers.



Managing Director
Jukka Mäkinen

Siemens Nixdorf

SNI's innovative R&D activities in Finland have given rise to the Fenix and Pegasos ranges of software used in businesses and local administration respectively. The most popular product in our range of international software is the R/3 LIVE Enterprise Resource Planning (ERP) system. Microcomputers and powerful Unix servers in the RM series also feature prominently in our range of hardware. The Beetle checkout system has achieved a good market position.

SNI's expertise includes turnkey solutions for individual sectors, and a comprehensive range of support services.

SNI Finland reported a turnover of FIM 294 million for the year under review, up 26 per cent compared to the figure for the previous year. Although it remained unsatisfactory, performance improved in the right direction. The company's result continued to be burdened by high property costs from its previous premises. SNI has improved its own activities by investing in the R/3 system.

New lines of development During the year under review, SNI Finland continued to pursue its policy of concentrating increasingly more on those areas of expertise in which it excels. To this end, the company divested or outsourced less important activities.

SNI launched the new Scenic multimedia microcomputers on the consumer market.

We have given top priority to improving the distribution network. Computer 2000 Finland Oy is responsible for the logistics and distribution of microcomputers and Intel-based servers. This partnership not only enhances SNI's product logistics, but also improves availability and reliable delivery.

New control and operating services have extended our range of technical services. These increase system availability and reduce the need for maintenance.

Product upgrades broaden customer base

SNI has a strong track record in municipalities and in the



retail sector. The new client-server type Windows versions of the Fenix and Pegasos ranges are now much better suited for use by large organisations than before.

During the year under review, the Pegasos system was delivered to over 100 municipalities and cities. Sales of health care systems have also been brisk.

SOK (Finnish Cooperative Society) bought Fenix financial management for 23 of its local cooperatives. We also ventured into new fields, as witnessed by a delivery of the Fenix system to the Finnish National Road Administration.

The Central Association of the Finnish Cooperative Banks ordered around 50 KIHA for Windows systems to meet the needs of the Cooperative Banks and CB Property Centres.

We already have more than 30 R/3 LIVE consultant customers. SNI is involved in many of the major R/3 installation projects in Finland. Inex Partners, for instance, selected Siemens Nixdorf to implement its new R/3 logistics system.

As a supplier of systems compatible with Internet architecture, SNI is one of the leaders in the field. The company has developed a Fenix-based application for Paperipalvelu Oy to enable customers to place orders direct with Paperipalvelu's order processing system via the Internet.

Increasingly better customer service A major goal during the current financial year is to further enhance our customer service. This includes improving project expertise, delivery reliability and new service products. Integrated information technology, telecommunications and application software opens up opportunities for us to provide new types of services and customised solutions.

In the market, we will strive to stand out from our competitors as a sufficiently sized, reliable European supplier able to combine new technology and project expertise to meet customers' needs.

SNI is in close collaboration with companies whose expertise complements its own. Our partners include leading international information technology companies such as Oracle, SAP, Microsoft and Computer 2000. In Finland, SNI's extensive network of partners includes Hansel (Government Purchasing Centre), Facidata, Data Group Finland, Sysdeco Finland Oy, Unikko-Soft Oy, Tietokolmio Oy and Sateenkaari-Suunnittelu Oy.

SNI is strongly committed to the ongoing improvement of customer service.



BSK-Kodinkoneet Oy

Customers of Bosch and Siemens household appliances include private households, and household appliance retailers such as the Expert and Tekniset chains and Musta Pörssi, fitted kitchen manufacturers such as Puustelli, the Novart group and HTH, and YIT Polar. Products and services include refrigeration equipment, washing machines, dishwashers, cookers and ovens, cooker hoods, vacuum cleaners, electrical goods and maintenance services.

BSK-Kodinkoneet Oy, the Finnish subsidiary of household appliance manufacturer Bosch-Siemens Hausgeräte GmbH (BSHG), began operations on 1 April 1996. Siemens and Bosch appliances were previously marketed by Siemens Osakeyhtiö's Household Appliances group.

The past ten years have seen BSHG transform from a German manufacturer of household appliances to a global corporation, consisting of 80 companies and 23 factories. BSHG employs around 33,000 people.

The household appliance market showed slight growth, about 2.7 per cent, compared to the previous year. BSK-Kodinkoneet Oy reported growth of around 14 per cent compared to the corresponding time last year. Prices continue to fall in the household appliance sector.

Sales of fitted household appliances have risen, as have those of refrigeration and washing products.

BSK-Kodinkoneet has successfully increased its turnover and cut costs. Although profitability is improving in the right direction, it has yet to reach the desired level.

Competition is expected to further intensify, with the arrival of new brands and distribution channels on the market.

1996 saw the launch of our new front-loading washing machines and a new, improved range of vacuum cleaners. Cooker design is being enhanced and a new range of dishwashers and top-loading washing machines will be launched during the current financial year.

Oy Osram Ab

Osram's customers include electrical wholesalers, central firms in the trade, lighting manufacturers, bulk users and automobile accessories wholesalers. Our mainstay products are lamps, lighting, electronic connectors and Energizer batteries.

The company's turnover rose by over nine per cent on the previous year to reach around FIM 80 million. Osram employs 15 persons, unchanged compared to the previous year. Osram consolidated its position as a supplier of household energy-saving lamps. Sales of electronic connectors were brisk during the year under review.



Oy Osram Ab seeks to further expand its activities in the Baltic states. These activities doubled during the year under review. The Baltic markets are served from Finland and the company is currently exploring marketing opportunities in the St Petersburg region.

Sales of Energizer batteries have begun encouragingly, and the company intends to expand these.

GVD Rahoitus Oy

GVD Rahoitus Oy (GVD) is a subsidiary of GVD Leasing GmbH owned by Siemens AG. GVD provides finance facilities to customers of Siemens companies in Finland and in the Baltic states. Services include leasing, investment finance and delivery credit.

New orders led to a growth of GVD's finance activities, which were up FIM 138 million on the previous year to stand at FIM 175 million.

Major telecommunications projects in Finland and the Baltic states had an impact on this growth. Interest rates continued to fall steadily on the Finnish finance market, and no longer hamper investments as was the case in earlier years.

GVD Rahoitus expects infrastructure projects carried out by various Siemens business groups in the Baltic states to be a further growth area for finance services. With large projects, GVD's overall finance services are much more competitive than earlier. GVD has established subsidiaries in Estonia and Latvia to deal with customer financing.

Working together with Siemens' business groups, GVD has developed a new fully comprehensive facility for equipment leasing services. This facility not only includes services to finance equipment, but also services related to the commissioning of, maintenance of and running investment projects.

Siemens Group

Founded in 1847, Siemens AG is an electrical engineering and electronics group with a presence in over 190 countries. The company's main business groups are Energy, Industry, Communications, Transportation, Defence Technology, Information Technology, Automotive Systems, Health Care, Components and Lighting. Household appliance manufacturer Bosch-Siemens Hausgeräte GmbH is owned by Bosch and Siemens on a 50-50 basis.

Siemens owns the information technology company Siemens Nixdorf, the lighting company Osram and subsidiaries in many countries around the world. It also has interests in many other companies.

Transformation of Siemens' business culture continues as the Group improves operations. Significant results have already been achieved in several business areas. Siemens is now performing much more effectively and successfully getting new innovative products much faster onto the market. This has had an encouraging impact on the Group result.

Performance in line with expectations Performance for the financial year ending 30 September was mostly in line with objectives set. Growth sectors included telecommunications, information technology and automotive systems. At DM 108 billion, new orders exceeded DM 100 billion for the first time. This reflected a 10 per cent increase on the corresponding figure (DM 91.9 billion) for the previous year. Turnover rose by six per cent to reach DM 94.2 billion (DM 88.8 billion).

Growth came largely from international markets, the Asia-Pacific region, the United States, Western Europe and, with respect to telecommunications networks, also from Eastern Europe. International trade accounted for 62 per cent of total Group turnover.

In Germany, falling demand for investment commodities and a weaker trend in the construction industry had an adverse impact on trade within Siemens' Industry groups.

The result after taxes amounted to DM 2.49 billion (DM 2.08 billion), an increase of 20 per cent on the previous year.

Siemens had around 379,000 employees on 30.9.1996. Investments for the financial year totalled DM 7.9 billion (DM 7.4 billion) and focused primarily on increasing semiconductor production capacity.

The result for the financial year 1996/97 is expected to be affected by the sharp fall in prices in semiconductors, data technology and medical engineering products. Cuts in health care budgets in many countries, notably in the United States and Germany, are expected to affect Medical Engineering, which is developing activities to better respond to the market situation.

The solar panels at the Dreisam stadium in Freiburg generate 100,000 kWh electricity per annum. The power is fed into the national grid and corresponds approximately to the consumption of 30 four-person households.



Report by the Board of Directors

Organisation Siemens Osakeyhtiö comprises the following business groups: Telecommunications Networks, Private Communication Systems, Process Industry, Machine Automation and Technical Trade, Industrial Services, Medical Engineering, Power Generation and Distribution, Transportation and Security Systems and Electronics Components. During the financial year 1995/96, Household Appliances was taken over by BSK-Kodinkoneet Oy, a subsidiary of Bosch-Siemens Hausgeräte GmbH set up in Finland for that purpose.

Siemens Osakeyhtiö is responsible for Siemens within the Baltic states. The company founded a subsidiary in Estonia during the financial year 1993/94. Spring 1995 saw the setting up of a subsidiary, Siemens SIA, in Riga, Latvia. A Lithuanian subsidiary, UAB Siemens, was established in Vilnius in autumn 1995. Siemens Osakeyhtiö now has a presence in all three Baltic republics.

Acquisition of the remaining 10 per cent of the shares in Sowecon Oy increased Siemens' stake in the company to 100 per cent. Sowecon develops software for Telecommunications Networks and Private Communication Systems. The company's activities were transferred to Siemens Osakeyhtiö's business groups.

The year under review saw Siemens Osakeyhtiö sell its installation activities to Tekmanni Oy. The deal is intended to improve equipment delivery and installation services.

New orders and turnover New orders rose by 14 per cent on the previous financial year to stand at FIM 1,791 million. Invoicing reached FIM 1,638 million, a rise of 27 per cent.

Telecommunications Networks, Private Communication Systems and Transportation and Security Systems reported a growth in new orders during the current year. Growth in new orders in Telecommunications Networks and Private Communication Systems was also attributable to success in the Baltic markets. Machine Automation and Technical Trade, Process Industry, Medical Engineering and Electronics Components reached the same level as last year. Power Generation and Distribution failed to achieve last year's result. Changes taking place within the business structure of Household Appliances and Industrial Services during the year under review also meant that these groups failed to achieve last year's results.

Company turnover rose by 23 per cent, to reach FIM 1,148 million. With the exception of Power Generation and Distribution, which achieved turnover growth through projects invoiced, turnover growth for the other individual business groups was achieved through new orders.

Result Higher turnover, favourable currency trends and efficiency improvements contributed to the company's encouraging performance. The operating margin

improved from 6.7 per cent last year to 7.7 per cent. Profit after depreciation according to plan and financial items before reserves and taxes amounted to FIM 63.1 million, up by 50 per cent on the figure for the previous year. During the financial year, the transition reserve was used for investments. After the depreciation difference, unwinding the transition reserve and taxes, Siemens Osakeyhtiö reported a profit of FIM 44.8 million for the year.

Prospects The company's new orders, turnover and result are expected to remain at the same level as the accounting period just ended.

Investments Investments totalled FIM 27.1 million. Significant investments were made in converting the premises at Perkkää into offices and in computer acquisitions in connection with SAP R/3 software commissioned earlier. The software replaces that based on mainframe architecture, formerly used by Siemens Osakeyhtiö and Siemens Nixdorf, with standard software based on a modern client-server solution. The transition reserve was unwound to pay for the investments.

Financing The company's financial position remains good. Favourable exchange rates resulted in a net profit of FIM 1.8 million. The company's equity ratio fell by six percentage points to 45 per cent.

Employees The company had an average of 788 (757) employees during the year under review.

Salaries and emoluments paid to members of Sie-

mens Osakeyhtiö's Board of Directors, Supervisory Board and Managing Director during the year under review totalled FIM 2,365,357 (FIM 3,309,753), profit sharing to the Board of Directors and Managing Director amounted to FIM 517,838 (FIM 561,500). Salaries and remuneration to other personnel totalled FIM 163,468,915 (FIM 140,629,504).

Administration The Board of Directors remained unchanged during the financial year, and consists of managing director Erkki Järnefelt, chairman, Michael Eidam and Lothar Würthner.

Kurt Stenvall and Siegfried Olschewski resigned from the Supervisory Board. Kimmo Kalela was invited to join Siemens Osakeyhtiö's Supervisory Board. The Board now consists of Pentti Seppälä, chairman, Dr Walter Kunerth, deputy chairman, Jürgen Radomski, Ville Arvola, Kimmo Kalela, Thure Pettersson and Timo Rajala.

Proposal by the Board of Directors for the disposal of profit The Board of Directors proposes that the profit for the financial year be carried forward with the profit of previous years and that FIM 44,000,000 be paid as dividend.

INCOME STATEMENT

(FIM 1000)	1.10.1995 – 30.9.1996	1.10.1994 – 30.9.1995
Turnover	1,148,449	936,010
Increase (+) or decrease (-) in inventories of finished goods	45,453	15,901
Production for own use (+)	164	479
Other operating income	36,002	35,189
Operating expenses		
Materials and consumables:		
Purchases during the financial year	790,091	668,264
Increase (-), decrease (+) in inventories	28,541	8,603
Personnel costs	210,551	183,548
Rents	7,279	6,144
Other operating expenses	104,768	39,584
	-1,141,230	-926,143
Operating profit before depreciation	88,838	61,436
Depreciation on fixed assets and other long-term expenditure	-25,003	-21,329
Operating profit	63,835	40,107
Financial income and expenses:		
Dividends received	798	0
Interest from long-term financial assets	400	867
Interest from short-term financial assets	3,168	4,846
Other financial income	7,327	9,822
Interest paid	-5,334	-7,668
Other financial expenses	-6,867	-6,264
	-508	1,583
Profit before extraordinary items, provisions and taxes	63,327	41,690
Extraordinary items:		
Extraordinary income	0	145
	0	145
Profit before provisions and taxes	63,327	41,835
Depreciation in excess (-) of/less (+) than plan	-8,364	-16,840
Increase (-) or decrease (+) in voluntary provisions	26,280	23,881
Direct taxes:		
For the financial year	-26,579	-1,804
For previous years	-9,789	-1,844
	-36,368	-3,648
Profit for the financial year	44,875	45,228

CASH FLOW STATEMENT

(FIM 1000)	1995/96	1994/95
Net profit	44,875	45,228
Depreciation	25,003	21,329
Change in provisions and depreciation difference	3,670	-7,041
	73,548	59,516
Change in inventories	14,196	-13,038
Change in advances received	-2,781	15,818
Change in receivables	-37,960	-5,796
Change in short-term loans	73,647	23,774
Change in working capital	47,102	20,758
Cash inflow from operating activities	120,650	80,274
Investments	-27,137	-25,557
Sale of fixed assets	849	588
Cash outflow from investing activities	-26,288	-24,969
Dividends paid	-39,000	-28,145
Increase in shareholders' equity	-	-
Change in liabilities	-6,426	-5,689
Change in receivables	-13,844	-9,388
Cash outflow from financing activities	-59,270	-43,222
Change in liquid assets	35,092	12,083
of which: certificates of deposit	12,806	7,694
Cash and bank balances	22,286	4,655
Liquid assets 30. 09.	62,613	27,521

BALANCE SHEET

Assets (FIM 1000)	30.9.1996	30.9.1995
Fixed assets and other long-term financial assets		
Intangible assets		
Other long-term expenditure	2,780	3,754
	2,780	3,754
Tangible assets		
Land and water	13,117	13,117
Buildings	160,479	164,543
Machinery and equipment	37,155	31,826
Other tangible assets	336	341
	211,087	209,827
Long-term financial assets		
Shares and securities	7,010	7,784
Fixed-interest securities	0	10,668
	7,010	18,452
Inventories and current assets		
Inventories		
Materials and consumables	1,118	10,832
Work in progress	732	4,513
Finished goods	37,966	56,794
Deliveries in progress	152,099	106,657
- advances received	-111,841	-50,927
Advance payments	42,238	8,639
	122,312	136,508
Receivables		
Trade receivables	194,622	175,966
Loan receivables	46,488	32,644
Prepaid expenses and accrued income	15,979	13,030
Other receivables	16,355	0
	273,444	221,640
Other current assets		
Other securities	31,500	18,694
Cash and bank balances	31,113	8,827
	679,246	617,702

Shareholders' equity and liabilities (FIM 1000)	30.9.1996	30.9.1995
Shareholders' equity		
Restricted equity		
Share capital	86,000	86,000
Revaluation reserve	3,400	3,400
	89,400	89,400
Non-restricted equity		
Contingency fund	42,303	36,075
Net profit for the financial year	44,875	45,228
	87,178	81,303
Provisions		
Accumulated depreciation in excess of plan	122,410	114,046
Voluntary provisions	5,312	31,592
Obligatory provisions	31,161	22,017
Liabilities		
Long-term		
Pension loans	2,800	2,934
Advances received	4,904	7,685
Other long-term liabilities	1,000	2,000
	8,704	12,619
Current		
Loans from credit institutions	1,000	1,000
Pension loans	134	172
Trade payables	126,571	113,969
Accrued expenses and deferred income	67,899	41,926
Other current liabilities	139,477	109,658
	335,081	266,725
	679,246	617,702

Accounting principles

Fixed assets and goodwill

Fixed assets have been capitalised using the direct acquisition cost. Planned depreciation has been calculated as straight-line depreciation based on economic life expectancy. Of investments, FIM 26.3 million was covered using the transition reserve.

Inventories

Inventories have been valued on average price or according to the lower LIFO value. Additionally, this is the first time under-valuations have been made in accordance with depletion span and as a result of changes in exchange rates. These have a total impact of FIM 8 million for the financial year 1995/96.

Foreign exchange items

Receivables and payables in foreign currency are valued at the average rate quoted by the Bank of Finland at the balance sheet date. Exchange rate differences in currency instruments taken for the purpose of hedging have been used to adjust the exchange rate difference in the corresponding item to be hedged.

Turnover by activities

(FIM 1000)

	1995/96	1994/95
Components	8,694	7,679
Telecommunications	491,471	339,236
Health Care	89,583	81,390
Transportation	29,474	17,814
Industry	347,613	275,258
Household Appliances	78,897	125,942
Energy	102,716	88,691
Total	1 148,448	936,010
of which domestic	998,338	840,237
of which foreign	150,110	95,773

Personnel costs

(FIM 1000)

	1995/96	1994/95
Wages and salaries	162,580	141,271
Fringe benefits	3,261	2,989
Pension costs	27,527	22,806
Other staff costs	20,444	19,471
Total	213,812	186,537

Fixed assets

Fixed assets have been depreciated according to plan based on estimated economic lifespans. The estimated economic lifespans used in calculating depreciation were as follows:

	Years		Years		Years
Buildings		Machinery and equipment		Other long-term expenditure	
- offices and factory buildings	40	- technical equipment and machinery	10	- fence and paving	10
- other buildings	10	- vehicle fleet	4	- computer software for data processing equipment (not micros)	5
		- data processing equipment excluding micros and their peripheral devices	5	- micro software	3
		- micros and their peripheral devices	3		
		- automation technology devices	4		
		- test equipment	5	Intangible rights	3
		- special tools	2		
		- tools and machinery	1		
		- other equipment and office equipment	5		

Consolidated financial statement

The consolidated financial statement includes the parent company, Siemens Osakeyhtiö, and its subsidiary undertakings Sowecon Oy, AS Siemens, Tallinn, and Siemens SIA, Riga. UAB Siemens, Vilnius, has only recently been set up and so has not been consolidated. This has no significant impact on the consolidated figures.

Accounting policy of consolidated financial statement

The consolidated financial statement has been prepared using the past equity method.

Inter-company transactions and profits

All inter-company transactions, receivables, liabilities and unrealised profits have been eliminated.

Translation differences

The balance sheets of consolidated companies outside Finland have been translated into Finnish marks using the official average exchange rate quoted by the Bank of Finland at the closing date, and items in the income statement during the financial year by turnover according to the weighted average rate quoted by the Bank of Finland.

Depreciation according to plan

(FIM 1000)	1995/96	1994/95
Other long-term expenditure	1,643	1,381
Buildings	9,005	6,053
Machinery and equipment	14,355	13,895
	25,003	21,329

Change in depreciation difference

Other long term expenditure	-578	562
Buildings	-1,535	7,555
Machinery and equipment	10,477	8,723
	8,364	16,840

Financial income from group companies

Interest from loan receivables

	1995/96	1994/95
AS Siemens	204	110
Siemens SIA	50	41
UAB Siemens	31	
	285	151

Change in obligatory provisions

Provisions (decrease + / increase -)

	1995/96	1994/95
Provisions for warranties and unprofitable deals	2,686	-4,183
Provisions for repos	-685	-3,256
Provisions for persons retiring	3,872	38
Provisions for delay and contractual penalties	3,271	1,796
	9,144	-5,605

Provisions include provisions for delay and contractual penalties, warranty costs, unprofitable deals and repos given to credit institutions.

Shares and securities

	Parent company ownership %	Number of shares	Shares owned by the parent company Nominal value FIM	Book value FIM	Result for the year	Share of shareholders equity
Group companies						
Kodinpiste Oy	100	100	1	0	0	0
AS Siemens	100			272	104	170
Siemens SIA	100			509	-21	416
UAB Siemens	100			470	-294	277
Unidata Oy	100	10	1	1	0	1
Sowecon Oy	100	100	50	373	205	215
				1,625		

Other companies

Helsingin Telephone Company Ltd		189	549	423		
Tennis Tapiola Oy		176	88	126		
Nordgolf Oy		4	100	130		
Espoo Ringside Golf		1	10	124		
Golfsarfvik Oy		1	25	128		
Others total		1076	95	239		
				1,170		

Shares in housing companies

Asunto Oy Liljasaarentie 5		303	189	395		
Asunto Oy Kirjurinkuja 1		249	15	641		
Asunto Oy Perkkaanhovi		74	174	949		
Asunto Oy Panorama		12	287	270		
Asunto Oy Espoon Marjaranta		266	112	1,961		
				4,215		

NOTES TO THE FINANCIAL STATEMENTS

Fixed assets

(FIM 1000)

	1995/96	1994/95
Intangible rights		
Acquisition cost 1.10.	491	491
Increase 1.10. -30.9.	0	0
Decrease 1.10. -30.9.	0	0
Acquisition cost 30.9.	491	491
Accumulated planned depreciation 30.9.	-491	-491
Book value 30.9.	0	0
Other long-term expenditure		
Acquisition cost 1.10.	11,914	13,779
Increase 1.10. -30.9.	762	774
Decrease 1.10. -30.9.	-1,182	-2,648
Acquisition cost 30.9.	11,494	11,905
Accumulated planned depreciation 30.9.	-8,714	-8,151
Book value 30.9.	2,780	3,754
Land and water		
Acquisition cost 1.10.	13,118	13,118
Increase 1.10. -30.9.	0	0
Decrease 1.10. -30.9.	0	0
Acquisition cost 30.9.	13,118	13,118
Accumulated planned depreciation 30.9.	0	0
Book value 30.9.	13,118	13,118
Buildings		
Acquisition cost 1.10.	209,050	202,084
Increase 1.10. -30.9.	4,986	7,513
Decrease 1.10. -30.9.	0	-502
Acquisition cost 30.9.	214,036	209,095
Accumulated planned depreciation 30.9.	-53,557	-44,552
Book value 30.9.	160,479	164,543
Machinery and equipment		
Acquisition cost 1.10.	112,667	129,412
Increase 1.10. -30.9.	21,389	16,462
Decrease 1.10. -30.9.	-15,969	-17,272
Acquisition cost 30.9.	118,087	128,602
Accumulated planned depreciation 30.9.	-80,932	-96,776
Book value 30.9.	37,155	31,826
Other tangible assets		
Acquisition cost 1.10.	341	342
Increase 1.10. -30.9.	0	4
Decrease 1.10. -30.9.	-5	-5
Acquisition cost 30.9.	336	341
Accumulated planned depreciation 30.9.	0	0
Book value 30.9.	336	341
Shares and securities		
Acquisition cost 1.10.	7,784	5,216
Increase 1.10. -30.9.	750	2,570
Decrease 1.10. -30.9.	-1,524	-2
Acquisition cost 30.9.	7,010	7,784
Accumulated planned depreciation 30.9.	0	0
Book value 30.9.	7,010	7,784
Total	220,878	221,366

Taxation values

(FIM 1000)	1995/96	1994/95
Real estate		
Buildings	60,212	60,848
Land	51,382	51,382
Shares and securities		
Subsidiaries	139	84
Others	3,175	4,598

Long-term receivables

(FIM 1000)	1995/96	1994/95
Annual instalments on trade receivables	0	1,438
Loan receivables	382	100

Group receivables and debts
Receivables from non-consolidated group companies

(FIM 1000)	1995/96	1994/95
Loan receivables	31,849	31,126
Trade receivables	41,775	13,929
Other receivables	9,561	7,193
	83,185	52,248

Receivables from consolidated group companies

(FIM 1000)	1995/96	
Loan receivables	13,607	
Trade receivables	4,077	
	17,684	

Debts to non-consolidated group companies

(FIM 1000)	1995/96	1994/95
Trade payables	96,279	89,885
Other debts	93,395	72,108
	189,674	161,993

Debts to consolidated group companies

(FIM 1000)	1995/96	
Trade payables	2,726	
Other debts	55	
	2,781	

Loans to directors

Loans to directors amount to FIM 650,000.

Changes in shareholders' equity

(FIM 1000)	1995/96	1994/95
Non-restricted equity		
Contingency fund 1.10	36,075	23,823
Dividends paid	-39,000	-28,145
Profit brought forward from previous years	45,228	40,396
Contingency fund 30.9.	42,303	36,074
Profit for the financial year	44,875	45,228
Non-restricted equity 30.9.	87,178	81,302

Obligatory provisions

(FIM 1000)	1995/96	1994/95
Provisions for warranties and unprofitable deals	11,308	8,622
Provisions for repos	9,595	10,280
Provisions for retiring persons	5,114	1,242
Provisions for delay and contractual penalties	3,330	59
Other provisions	1,814	1,814
	31,161	22,017

Obligatory provisions include provisions for delay and contractual penalties, warranty costs, unprofitable deals and repos given to credit institutions.

Pledges, mortgages, guarantees

(FIM 1000)	1995/96	1994/95
1. For own loans		
Mortgages	32,000	32,000
2. For others		
Guarantees, repos and other financial liabilities	91,865	48,931
3. Other agreements		
Liabilities for derivatives	22,585	6,270

SIEMENS OSAKEYHTIÖ BOARD OF DIRECTORS

Espoo, 12 November 1996

Erkki Järnefelt

Michael Eidam

Lothar Würthner

AUDITORS' REPORT

To the shareholders of Siemens Osakeyhtiö

We have audited the accounting records, the financial statements and the administration by the Supervisory Board and the Board of Directors of Siemens Osakeyhtiö for the period from 1 October 1995 to 30 September 1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on administration.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of administration by the Supervisory Board and the Board of Directors has been to examine that the members of the Supervisory Board, Board of Directors and the Managing Director have legally complied with rules of the Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the both consolidated and parent company's result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board, Board of Directors and the Managing Director can be discharged from liability for the period audited by us. The proposal made by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

Espoo, 12 November 1996

KPMG WIDERI OY AB

Albrecht Hagert

Arja Talma

Authorized Public Accountants

STATEMENT BY THE SUPERVISORY BOARD

Meeting today, Siemens Osakeyhtiö's Supervisory Board has considered the Company's overall financial statement for 1995/96, which includes the Board of Directors' report, the consolidated and parent company income statement, balance sheet and notes to the financial statements, including the Board of Directors proposal for the disposal of profits, and the auditors' report provided by the Company's auditors.

The Supervisory Board has decided to recommend to the Annual General Meeting of Shareholders that the financial statements be adopted and that the profit be disposed of in accordance with the Board of Directors' proposal.

The Supervisory Board is satisfied that its instructions and decisions have been followed, and that it has received adequate information from the Board of Directors and the Company's management.

Espoo, 28 November 1996

Pentti Seppälä

Walter Kunerth

Ville Arvola

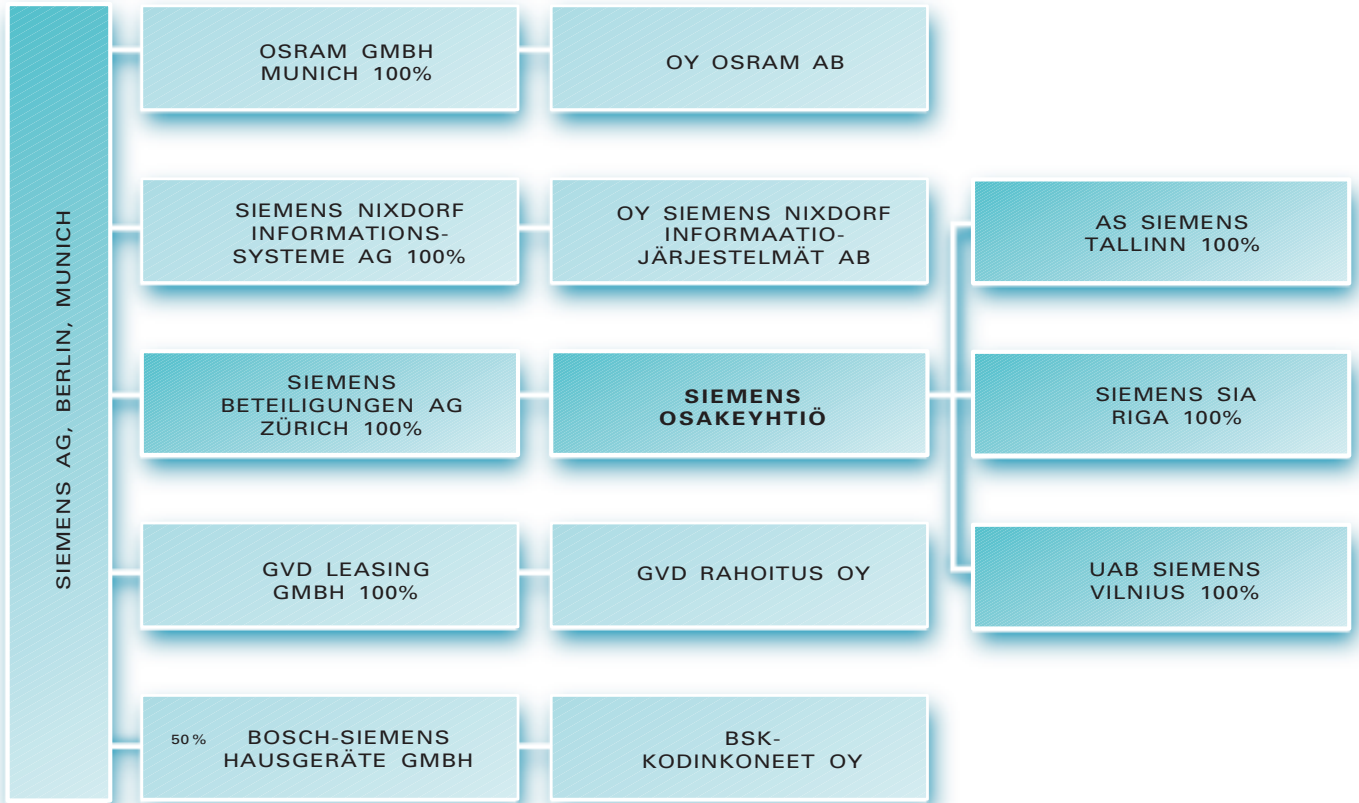
Kimmo Kalela

Thure Pettersson

Timo Rajala

Jürgen Radomski

SIEMENS OWNERSHIP 30.9.1996



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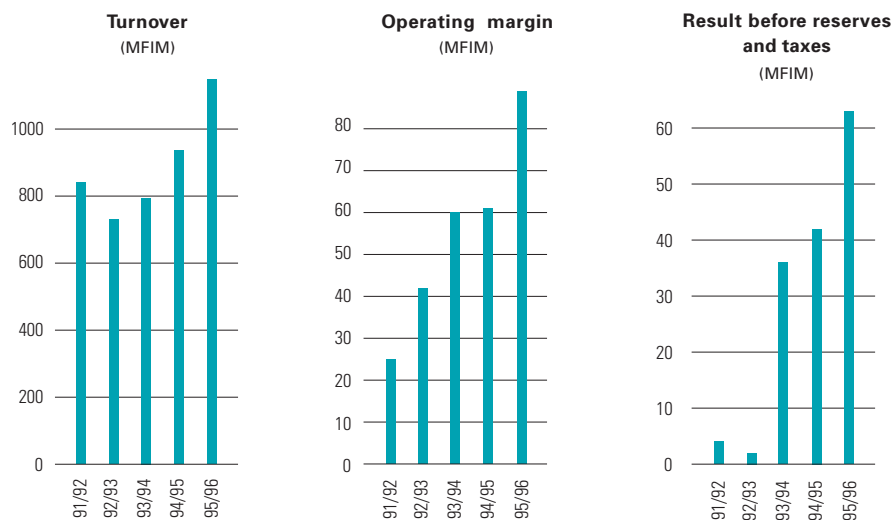
SIEMENS OSAKEYHTIÖ – FINANCIAL STATISTICS

(MFIM)	1995/96	1994/95	1993/94	1992/93	1991/92
New orders	1,791	1,572	1,491	1,019	1,210
Order backlog	1,533	1,417	1,171	873	772
Invoicing	1,638	1,291	1,159	957	942
Turnover	1,148	936	794	730	841
Operating margin	89	61	60	42	25
as % of turnover	8	7	8	6	3
Net profit	64	40	38	20	3
as % of turnover	6	4	5	3	0
Profit before provisions and taxes	63	42	36	2	4
as % of turnover	5	4	5	0	0
Return on equity (ROE), %	14	15	14	2	-24
¹⁾ Return on Investment (ROI), %	16	12	11	5	6
²⁾ Equity ratio, %	45	51	52	41	37
³⁾ Balance sheet total	679	618	585	665	687
Shareholders' equity	177	171	154	113	92
Investments	27	27	18	24	26
Employees, average	788	757	735	763	817

¹⁾
$$\text{ROI} = \frac{100 \times (\text{result before provisions and taxes} + \text{interest expenses})}{\text{average investments}}$$

²⁾
$$\text{Equity ratio} = \frac{100 \times (\text{Shareholders' equity} + \text{voluntary provisions} + \text{accumulated depreciation difference})}{\text{balance sheet total}}$$

³⁾ In the 1995/96 accounts, current advances received have been booked by decreasing inventories accordingly. For the sake of comparison, the balance sheet total and equity ratio for previous years have been adjusted correspondingly.





**FOR SIEMENS, THE FUTURE IS
ACHIEVING OBJECTIVES**

Profitable growth is the key to continuation and success.

Our daily challenge is to earn customer confidence and satisfaction.

Quality technology and expertise are an integral part of Siemens' willingness and ability to provide outstanding service.

Expert employees are a valuable company asset.

Environmental responsibility is here to stay. Environmental protection technology gives a greater competitive edge.