FINANCIAL STATEMENTS

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)
Years Ended September 30, 2021 and 2020
With Report of Independent Auditors

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)

Financial Statements

Years Ended September 30, 2021 and 2020

Contents

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Report of Independent Auditors

To the Member of
Siemens Capital Company LLC

We have audited the accompanying financial statements of Siemens Capital Company LLC, which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of comprehensive income, changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Siemens Capital Company LLC at September 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

Ernst + Young LLP

November 19, 2021

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)

Balance Sheets
(Dollars in Thousands)

	Note	September 30 2021	September 30 2020
Assets			
Current assets:			
Cash and cash equivalents	7	**$ 380,926**	$ 363,918
Trade and other receivables	3	**302**	-
Receivables from affiliates, net	10	**7,774,880**	7,085,674
Positive fair value of derivatives	17, 19	**408,999**	704,640
Other current assets	11	**27,854**	17
Total current assets		**8,592,961**	8,154,249
Non-current assets:			
Property, plant and equipment	3	**120**	206
Long-term receivables from affiliates	10	**9,267,323**	10,099,439
Deferred income tax assets	6	**52,365**	105,997
Other assets	3	**173**	-
Total non-current assets		**9,319,981**	10,205,642
Total assets		**$ 17,912,942**	$ 18,359,891
Liabilities and Member's Equity			
Current liabilities:			
Liabilities to affiliates	12	**$ 9,788,250**	$ 5,732,678
Accrued liabilities	3, 9	**5,970**	6,090
Negative fair value of derivatives	17, 19	**544,471**	749,247
Short-term debt	13	**15,419**	2,290,477
Other current liabilities	14	**33,716**	256,795
Total current liabilities		**10,387,826**	9,035,287
Non-Current Liabilities:			
Long-term liabilities to affiliates	12	**6,075,276**	7,951,194
Other liabilities	16	**2,337**	1,191
Total non-current liabilities		**6,077,613**	7,952,385
Total liabilities		**16,465,439**	16,987,672
Member's equity	21	**1,447,503**	1,372,219
Total liabilities and member's equity		**$ 17,912,942**	$ 18,359,891

See accompanying notes to financial statements.

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)

Statements of Comprehensive Income
(Dollars in Thousands)

		Year Ended September 30	
	Note	**2021**	**2020**
Interest income	10	**$ 293,034**	$ 1,158,998
Interest expense	12, 13	**(221,585)**	(348,907)
Net interest income		**71,449**	810,091
Gain (loss) on financial instruments, net	5	**29,966**	(126,020)
Increase of expect credit losses on receivables from affiliates	10	**(113)**	(1,944)
Other income	4	**12,113**	10,843
General and administrative expenses	9	**(12,308)**	(12,443)
Income before income taxes		**101,107**	680,527
Income tax provision	6	**(25,966)**	(171,803)
Net income		**75,141**	508,724
Other comprehensive income:			
Pension plan actuarial gain, net of tax		**205**	91
Total comprehensive income, net of tax		**$ 75,346**	$ 508,815

See accompanying notes to financial statements.

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)

Statements of Cash Flows
(Dollars in Thousands)

	Year Ended September 30	
	2021	**2020**
Operating activities		
Net income	**$ 75,141**	$ 508,724
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax income (loss)	**53,561**	(46,596)
Unrealized market value gain on derivative financial instruments	**(92,141)**	(20,355)
Unrealized foreign exchange (gain) loss on affiliate loans	**(60,230)**	193,359
(Reversal) increase in accrual of expected credit losses on receivables from affiliates	**(10,053)**	1,605
Decrease (Increase) in operating assets:		
Receivables from affiliates	**158,710**	2,367,275
Net fair value of derivatives	**183,006**	(46,221)
Property, plant and equipment	**86**	103
Trade and other receivable	**(302)**	-
Other assets	**(28,010)**	16,639
(Decrease) increase in operating liabilities:		
Accrued liabilities	**(120)**	(415)
Pension liabilities	**205**	91
Other liabilities	**(221,924)**	225,734
Net cash provided by operating activities	**57,929**	3,199,943
Financing activities		
(Payments of) proceeds from short-term debt	**(2,275,058)**	1,589,841
Proceeds from (payments of) liabilities to affiliates, net	**2,234,137**	(5,119,244)
Net cash used in financing activities	**(40,921)**	(3,529,403)
Net increase (decrease) in cash and cash equivalents	**17,008**	(329,460)
Cash and cash equivalents at beginning of year	**363,918**	693,378
Cash and cash equivalents at end of year	**$ 380,926**	$ 363,918
Supplemental cash flow disclosures		
Cash received for interest from time deposits	**$ 364**	$ 2,372
Cash paid for interest on commercial paper	**$ 3,745**	$ 34,967

See accompanying notes to financial statements.

Siemens Capital Company LLC
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Statements of Changes in Member's Equity
(Dollars in Thousands)

	Member's Capital			Accumulated	
	Common Stock	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Losses	Total Member's Equity
Balance at September 30, 2019	$ 1	245,207	619,641	(1,117)	863,732
Impact on adopting IFRS 16 leases			(244)		(244)
Restated opening balance IFRS 16 leases	$ 1	245,207	619,397	(1,117)	863,488
Net income	–	–	508,724	–	508,724
Siemens AG share-based compensation expense, net of tax	–	–	(84)	–	(84)
Pension plan actuarial gain, net of tax	–	–	–	91	91
Balance at September 30, 2020	$ 1	$ 245,207	$ 1,128,037	$ (1,026)	$ 1,372,219
Net income	–	–	75,141	–	75,141
Siemens AG share-based compensation expense, net of tax	–	–	(62)	–	(62)
Pension plan actuarial gain, net of tax	–	–	–	205	205
Balance at September 30, 2021	**$ 1**	**$ 245,207**	**$ 1,203,116**	**$ (821)**	**$ 1,447,503**

**See accompanying notes to financial statements.*

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)

Notes to Financial Statements
(Dollars in Thousands, Unless Otherwise Noted)

September 30, 2021

1. Business

Siemens Capital Company LLC

Siemens Capital Company LLC ("SCC" or the "Company") is registered to do business as a limited liability company in the State of Delaware, United States. The Company is located at 170 Wood Avenue South, Iselin, NJ 08830 and is a wholly-owned subsidiary of Siemens Corporation ("SC"), which is held by Siemens USA Holdings, Inc. ("SUSA"). SUSA is a wholly-owned subsidiary of Siemens Aktiengesellschaft ("Siemens AG"). Ultimately, the Company is owned by Siemens AG. The debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no member, manager, or officer of the Company shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member, manager, and/or officer.

Effective April 1, 2019, the Company has been reorganized under a new group within Siemens named Controlling and Finance Financing (CF F) as a support function of Siemens AG. The Company is now referred to as a "Regional Finance Center". As a result of the reorganization, the Insurance and Trade Finance Advisory (TFA) Groups were transferred to SCC from an affiliated company, Siemens Financial Services, Inc. (SFS Inc.), a subsidiary of SUSA.

The TFA business objective is to mitigate costs and lessen risk for Siemens in the context of commercial considerations. It is an advisory and administrative unit, with substantial experience concerning matters of guaranty instruments. TFA has built relationships with various banks and insurance companies and has utilized these contacts in securing favorable guaranty lines for the Siemens AG North and South American affiliates.

The Insurance business provides insurance coverage to protect Siemens in the Americas from insurable losses which might significantly impact its financial condition. Its portfolio covers a wide range of services, from qualified risk analyses to implementing global industrial insurance solutions and handling claims. It deals with pure risks that are characterized by chance occurrence and that may only result in a financial loss. The Insurance group of SCC is acting as an agent on behalf of SFS Inc. by managing insurance contracts under the name of Siemens Corporation.

Therefore, SCC does not enter into insurance contracts under its own name or bear the risk of insurance loss.

1. Business (continued)

The Company is to continue to provide treasury services including financing, liquidity, interest rate and foreign exchange risk management, and cash and payments management for the Siemens AG North American affiliates. Additionally, the Company also supports the affiliates in South and Central America with their financing and treasury risk management needs. Furthermore, the Company provides services in investment management for the retirement plans of the Siemens AG North American affiliates and operates under the CF F Pension organization.

To further drive the CF F purpose of "managing the financial strength of Siemens by providing best-in-class financial solutions and risk management advisory services tied in with an innovative financial technology set-up" the CF F organization was optimized in 2021 by the division of the Treasury business in three distinct Product Lines: Cash Management and Payments (CMP), FX and Commodity Risk (FCR) and Group Funding, Liquidity and Interest Management (GLI). These three Product Lines, together with the TFA-, Insurance- and Pension-Product Lines constitute the operative business organization of the company.

2. Basis of Presentation and Statement of Compliance

The accompanying financial statements present the operations of SCC and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company has applied all applicable standards and interpretations issued by the IASB, that were effective as of the beginning of the fiscal year 2021 and 2020. The financial statements are generally prepared using amounts that approximate fair market value, except for long-term receivables from affiliates and liabilities to affiliates which are on the historical cost basis as stated in Note 3, Summary of Significant Accounting Policies and Critical Accounting Estimates.

SCC prepares and reports its financial statements in US dollars ($).

The Company presents its Balance Sheet in order of liquidity. Assets and liabilities that settle within one year after the reporting date and greater than one year after the reporting date have been classified as current and non-current, respectively.

The financial statements were authorized for issuance by Company's Management on November 19, 2021.

3. Summary of Significant Accounting Policies and Critical Accounting Estimates

The accounting policies and estimates set forth below have been applied consistently to all periods presented in these financial statements.

COVID-19

Impacts from the pandemic coronavirus spread on SCC's Financial Statements are contingent on the further evolution of virus variants, the progress of worldwide vaccinations and the vaccines' effectiveness. Potential impacts may also result from increasingly phased out financial and non-financial measures originally taken by governments and organizations globally. Related impacts could influence fair value and carrying amounts of assets and liabilities, amount and timing of results of operations and cash flows. Effects vary considerably by region and customer industries. SCC based its estimates and assumptions on existing knowledge and best information available. We expect that related effects on SCC's Financial Statements will not reach a substantial degree.

Use of Estimates

The preparation of financial statements in conformity with IAS 1, *Presentation of Financial Statements*, requires management to estimate the effects of uncertain future events on assets and liabilities at the balance sheet date in order to determine the carrying amounts of those assets and liabilities an entity shall disclose in the notes to financial statements.

Foreign Currency Transactions

Transactions that are denominated in a currency other than the functional currency of the Company are recorded at that functional currency applying the spot exchange rate as of the date when the

underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are translated to functional currency applying the spot exchange rate as of that date. Gains and losses arising from these foreign currency revaluations are recognized in Gain (loss) on financial instruments, net and are included in net income. Those foreign currency-denominated transactions which are classified as non-monetary are translated using the historical spot exchange rate.

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

Income Taxes

The Company applies IAS 12, *Income Taxes* (IAS 12). The Company's results are included in the consolidated federal income tax return of Siemens Corporation. Income taxes are determined on a separate company basis, pursuant to a tax allocation agreement with Siemens Corporation.

The Company's provision for income taxes is calculated as if the Company filed a separate federal income tax return and based on a blended state income tax rate prescribed by Siemens Corporation which is different than the applicable statutory income tax rate. As further discussed in Note 6, income taxes have been determined under the asset and liability method of IAS 12, which requires that deferred income tax assets and liabilities be determined based upon the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect of deferred income tax assets and liabilities of a change in tax rates is recognized in the Statements of Comprehensive Income, unless related to items directly recognized in Member's equity, in the period the new laws are substantively enacted. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against deductible temporary differences and unused tax losses; then enabling income tax credits to be utilized.

Cash and Cash Equivalents

All highly liquid investments within three months of maturity are considered as cash and cash equivalents and are measured at cost. Cash and cash equivalents also include bank accounts that are used on a daily basis to settle open futures transactions and to cover required initial margin.

Trade and other receivables

The Company provides TFA services to Siemens Energy companies and as of September 30, 2021, the Company holds trade receivables from Siemens Energy companies of $302.

Other assets

As of September 30, 2021, the Company has accrued prepaid Pension Costs of $173.

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

Financial Assets and Financial Liabilities

Date of Recognition

Financial assets and liabilities are initially recognized on the trade date, i.e., when the Company becomes a party to the contractual provisions of the instrument or item. This includes regular way trades: purchases or sale of financial assets or liabilities that require delivery of assets and liabilities within the time frame generally established by regulation or convention in the market.

Classification of Financial Assets and Financial Liabilities

The classification of financial assets and liabilities at initial recognition depends on their purpose, characteristics and management's intention when transacting them.

All derivative Financial Assets and Liabilities are classified as financial assets/liabilities at fair value through profit or loss. Receivables from and Liabilities to affiliates (long and short-term portion) that are classified as Loans are measured at amortized cost less any impairment losses.

Derecognition of Financial Assets and Financial Liabilities

Financial assets are derecognized when the rights to receive cash flows from the asset have expired, been modified, cancelled or if the assets have been transferred (i.e., all the risks and rewards or control of the asset) and qualifies for derecognition.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, been modified or expired.

The difference between the carrying value of the original financial assets and liabilities and the consideration received or paid is recognized in profit or loss.

Measurement of Financial Assets

Financial assets which are primarily receivables from affiliates are classified as loans and receivables which are measured at amortized cost using the effective-interest method, less any

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

impairment losses. Impairment losses on receivables from affiliates are recognized using separate allowance accounts. Additional information regarding allowance accounts is discussed in Note 11.

Measurement of Financial Liabilities

The Company measures financial liabilities, except derivative financial instruments, at amortized cost using the effective-interest method. The financial liabilities primarily include liabilities to affiliates.

Accrued Liabilities

Accrued liabilities are recognized in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Accrued liabilities mainly include employee related bonuses and fringe benefits. Additions to accrued liabilities and reversals are generally recognized in General and administrative expenses in the Statements of Comprehensive Income.

Short Term Debt

For working capital purposes, the Company issues commercial paper which typically has a maturity of less than 180 days and is recorded at a discount. The carrying amount of commercial paper on the Balance Sheets is equal to the face value less the amount of the discount.

Other Liabilities – Pension, Other Post-Employment and Other Benefit Plans

The Company participates in the trusteed noncontributory qualified defined benefit (pension) plan, defined contribution plans, and non-pension post-employment benefit plans that are sponsored by Siemens Corporation. The employee benefit plans' expenses are paid by Siemens Corporation and reimbursed by SCC. Pension expenses and related liabilities are recorded based on allocated amounts received from the North America Benefits Accounting organization on behalf of Siemens Corporation.

The Company also participates in Siemens AG's share-based payment plans which include stock awards and share matching plans. These share-based payment plans at Siemens AG are designed

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

as equity-settled plans. Fair value is measured at grant date and is expensed over the vesting period. SCC incurs periodic costs, based on the set criteria, of these share-based payment plans for senior management and participating employees.

Termination benefits are recognized in the period incurred and when the amount is reasonably estimable. Termination benefits in accordance with IAS19, Employee Benefits, are recognized as a liability and an expense when the entity has demonstrated that it has committed itself, through a formal termination plan or otherwise created a valid expectation, to terminate employment before the normal retirement date.

Interest Income and Expense

Interest income and expense is recognized using the effective interest method. Interest income is accrued as earned and interest expense is accrued as incurred.

Other Income

Other income is related to pension management services provided to Siemens affiliates and is recognized when the services are performed. Other income also includes Guarantee and Insurance fees.

General and Administrative Expenses

Operating expenses are recorded as incurred in conjunction with applicable accounting policy. Furthermore, operating expenses are assigned to the General and administrative expenses of the corresponding profit and cost centers.

Expected Credit Loss (ECL)

Expected credit losses are recorded on receivables from affiliates and loan commitments in accordance with the Company's policy which includes a prescribed methodology for calculating an allowance for doubtful accounts that is based on applicable credit ratings and the terms of the receivables. Additional disclosure can be found in Note 10, 14 and 16.

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of significant financial instruments at September 30, 2021 and 2020:

Long-Term Receivables from Affiliates and Liabilities to Affiliates: Long-term fixed-rate and variable-rate receivables from affiliates and liabilities to affiliates are evaluated by the Company based on parameters such as interest rates and specific country risk factors.

Short-Term Debt: The fair value of quoted notes and bonds is based on price quotations at the balance sheet date.

The Company limits default risks resulting from derivative financial instruments by a careful counterparty selection. Derivative financial instruments are generally transacted with financial institutions with investment grade credit ratings. The fair market valuation of derivative financial instruments at Siemens incorporates all factors that market participants would consider, including the counterparties' credit risks. The calculation of fair values for derivative financial instruments depends on the type of instruments:

Derivative Interest Rate Contracts: The fair values of derivative interest rate contracts (e.g., interest rate swap agreements) are estimated by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the instrument. Interest rate futures and interest rate options are valued on the basis of quoted market prices when available. If quoted market prices are not available, interest rate options are valued based on option pricing models.

Derivative Currency Contracts: The fair value of forward foreign exchange contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models.

In determining the fair values of the derivative financial instruments, certain compensating effects from underlying transactions (e.g., firm commitments and anticipated transactions) are not taken into consideration.

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

The levels of the fair value hierarchy and its application to our financial assets and liabilities are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with IFRS 9, *Financial Instruments*, which requires that all derivative financial instruments, such as interest rate swap contracts and foreign currency exchange contracts, be recognized in the financial statements and be measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are recognized in the Statements of Comprehensive Income.

All derivatives are recognized in the Balance Sheets at their fair value. On the date the derivative contract is entered into, the Company designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge), and a foreign-currency fair value or cash-flow hedge (foreign currency hedge). These derivative contracts expose the Company to the fair value gain or loss of the hedging instrument if the counterparty fails to perform. The Company mitigates this risk by entering into transactions with affiliates and investment grade financial institutions.

For those derivative instruments in which the Company wants to obtain hedge accounting under, SCC, in coordination with CF F, formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions on behalf of the Company. This documentation is maintained by SCC and CF F. The process includes linking all derivatives that are designated as fair value, cash-flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company assesses,

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. The retrospective regression method was used to determine the hedge effectiveness of the economic relationship between the hedged item and the hedging instrument.

Changes in the fair value of a derivative that is effective and that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in the Statement of Comprehensive Income. SCC only has fair value hedges as of September 30, 2021 and 2020. There are no transactions related to cash flow or foreign currency hedges.

Additional information regarding the Company's objectives and strategies in respect to the management of foreign currency and interest rate risk, including the use of derivative instruments, is discussed in Note 17.

New and amended standards and interpretations

IFRS 9 Financial Instruments

The adoption of IFRS 9 has fundamentally changed the Company's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss. The allowance is based on the ECLs associated with the probability of default in the next twelve months.

Since 2020, SCC adjusted its IFRS 9 ECL approach with regard to loan commitments. ECL for loan commitments is currently being recorded as short-/long-term financial liabilities related to loan commitments.

IFRS 9 also updated the guidance for hedge accounting. The intent was to align the accounting treatment with risk management activities, enabling entities to reflect better these activities in their financial statements. SCC has elected as a policy choice permitted under IFRS 9, to continue to

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

apply hedge accounting in accordance with IAS 39. Additional and more detailed disclosures for hedge accounting are disclosed in Note 17.

IFRS 16 Leases

In January 2016, the IASB issued the new standard for lease accounting, IFRS 16, *Leases*. The new standard does not significantly change the accounting for leases for lessors. However, it does

require lessees to recognize most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognized leases but will have the option not to recognize 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to today's finance lease accounting, with interest and depreciation expense recognized separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company adopted the standard for the fiscal year beginning as of October 1, 2019, by applying the modified retrospective approach, i.e., comparative figures for the preceding year are not adjusted. By applying IFRS 16, straight-line operating lease expense is replaced by depreciation expense on right-of use assets and interest expense on lease liabilities.

The real estate lease used by SCC is held by SC and subleased via intercompany leases. Organizationally, Siemens Real Estate (SRE) is responsible for managing SC's real estate portfolio.

Based on Lessee Accounting and Reporting System (LARS) contract numbers, the properties leased from third parties and subleased to SCC are identified on SC accounts. Balances attributable to SCC are transferred 1:1 to the financial statements of SCC once a year. The allocation key is the office space rented by SCC in percent of the total external office space lease contract by SC.

The amounts recognized in SC by SRE are the best reflection already for real estate used by Operating Companies considering also that in carve-out scenarios these would be the values that would be transferred to SCC and any differences due to management fees are not considered to be material from a balance sheet and P&L perspective.

(Dollars in Thousands, Unless Otherwise Noted)

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

The differences arising from the adoption of IFRS 16 have been recognized directly in Retained earnings as of October 1, 2019.

The Company has assessed the impact of adopting IFRS 16 for its sole office space real estate lease on its Financial Statements. The opening balance adjustment for the fiscal year 2020 is:

Assets	
Property, plant and equipment (right-of-use assets from leases)	**$ 309**
Deferred Taxes	**83**
Total assets adjustment	**$392**
Liabilities and member's equity	
Future minimum lease payments	**$ 659**
Unamortized finance expense from leases	**(23)**
Total Liabilities	**636**
Member's Equity	**(244)**
Total liabilities and member's equity adjustment	**$ 392**

The amount of Property, plant and equipment (right-of-use assets from leases) as of September 30, 2021 and 2020 was $120 and $206, respectively. The change in assets and liabilities as of September 30, 2021 and 2020 is $(86) and $(103), respectively which is reflected in the Balance Sheet and Statements of Comprehensive Income on a net basis via reclassification between General and Administration Expenses and Interest Expenses. Resulting deferred taxes of $(22) and $(26), in 2021 and 2020 respectively, have been recognized in the Statements of Comprehensive Income.

3. Summary of Significant Accounting Policies and Critical Accounting Estimates (continued)

Recent Accounting Pronouncements Not Yet Adopted

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients for the intended transition of all GBP LIBOR based instruments to Sterling Overnight Index Average (SONIA) rates before the end of calendar year 2021. This mainly affects the existing £1 billion hedge accounting structure (see Note 12). The Company intends to use the practical expedients for other future IBOR transitions when they become applicable. The Company does not expect any material impacts and no effects on the hedge accounting structure from these transitions.

4. Other Income

Included in Other income is revenue related to Pension, Insurance, TFA, CMP and Accounting services provided to Siemens affiliates of $12,113 and $10,843 for fiscal year 2021 and 2020, respectively. TFA revenue is related to fees charged for processing internal and external guarantees.

(Dollars in Thousands, Unless Otherwise Noted)

5. Gain (loss) on Financial Instruments, net

Gain (loss) on financial instruments, net includes the following for the years ended September 30:

	2021	2020
Foreign exchange transactions results:		
Realized and unrealized derivatives results	**$ 71,114**	$ 156,407
Realized and unrealized balance sheet results	**(80,143)**	(187,768)
Interest rate derivatives results:		
Unrealized fair value hedge accounting adjustment	**177,640**	(45,382)
Realized and accrued interest–hedge accounting adjustment	**(35,871)**	(27,262)
Realized – Non hedge accounting results	**(18,079)**	(65)
Unrealized – Non hedge accounting results	**(84,695)**	(21,950)
Total Gain (loss) on financial instruments, net	**$ 29,966**	$ (126,020)

Also see Note 18 for a description of the Company's risk management strategies.

6. Income Taxes

The Income tax provision consists of the following for the years ended September 30:

	2021	**2020**
Federal:		
Current	**$ 20,989**	$ (169,515)
Deferred	**(41,764)**	36,333
State:		
Current	**6,138**	(48,362)
Deferred	**(11,798)**	10,264
Foreign:		
Current	**467**	(522)
Total Income Tax Provision	**$ (25,966)**	$ (171,803)

(Dollars in Thousands, Unless Otherwise Noted)

6. Income Taxes (continued)

Included in other current liabilities are federal, state, and foreign income taxes (receivable) payable. The amount of net income taxes (receivable) payable as of September 30, 2021 and 2020 is $(26,974) and $218,921 respectively.

		2021		**2020**
Income tax receivables	**$**	**(27,128)**	$	-
Income tax payables		**153**		218,921
Total Income Tax (Receivable) Payable	**$**	**(26,974)**	$	218,921

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using enacted tax rates expected to be in effect for the years in which the differences are expected to reverse. The federal and state deferred income tax assets and liabilities result principally from temporary differences between the book and tax bases of derivatives and unrealized foreign exchange losses on loan related items, expected credit losses on receivables from affiliates and accrued expenses.

The statutory tax rate applicable for fiscal year ending 2021 and 2020 was 25.424% [19.824% for federal tax purposes after state tax benefit, and 5.6% for state tax purposes]. For purposes of valuing deferred tax assets and liabilities at September 30, 2021 and 2020, the statutory tax rate utilized was 25.424%. The effective income tax rate is approximately (25.68%) and 25.25% for the year ended September 2021 and 2020, respectively. The difference between the effective income tax rate and the statutory tax rate for 2021 primarily pertains to the deferred income tax expense of $(45,163) related to the impact from Hedge Accounting, which was slightly offset by IFRS 9 Expected Credit Losses (ECL) on Receivables from affiliates that resulted in a deferred income tax benefit adjustment of $29 and by IFRS 16 Leases that resulted in a deferred income tax expense adjustment of $(22).

The implementation of IFRS 16 Leases on October 1, 2019 also included a deferred income tax benefit of $83 for the effect of the opening balance which was recorded in the Statements of Changes in Member's Equity.

(Dollars in Thousands, Unless Otherwise Noted)

6. Income Taxes (continued)

In assessing the realization of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers the scheduled reversal of deferred income tax assets, projected future taxable income, and tax planning strategies in making this assessment. Management believes that it is probable that the Company will generate sufficient taxable income in future years to realize the benefit of the deferred income tax assets. The amount of the net deferred income tax assets as of September 30, 2021 and 2020 was $52,365 and $105,997, respectively.

The following are the tax effects of temporary differences that comprise the net deferred income tax assets at September 30:

	2021	**2020**
Net assets:		
Unrealized market value of derivative financial instruments	**$ 87,864**	$ 127,545
Unrealized foreign exchange losses on affiliate loans	**(64,077)**	(50,225)
ECL on receivables from affiliates	**26,880**	26,852
IFRS 16 Leases (Right of use assets, net)	**35**	57
Accrued interest – foreign affiliates	**182**	201
Other accruals	**1,481**	1,567
Total Deferred Income Tax Assets	**$ 52,365**	$ 105,997

(Dollars in Thousands, Unless Otherwise Noted)

7. Cash and Cash Equivalents

The Company provides cash management services to affiliates and holds cash and cash equivalents as of September 30, as follows:

	2021	2020
Cash in U.S. banks	**$ 103,440**	$ 71,570
Cash in foreign banks	**38,322**	19,015
Time deposits in U. S. and foreign banks with original maturity of less than 90 days	**230,000**	270,232
Cash in margin accounts	**9,164**	3,101
Total Cash and Cash Equivalents	**$ 380,926**	$ 363,918

8. Related-Party Transactions

The Company is a member of a group of affiliated and associated companies and enters into extensive transactions with affiliated companies of Siemens Corporation and Siemens AG. These transactions mainly include receivables from and to affiliates and related income and expense.

If there are no conflicting country-specific regulations within affiliates regions that are serviced by the Company, the respective affiliates generally obtain any required financing through the Company in the form of loans or intercompany clearing accounts. The same concept is adopted for deposits of cash generated by the affiliates.

The Company paid $217,878 and $6,991 of income taxes to Siemens Corporation, through the Siemens intercompany payment system, during the fiscal years ended September 30, 2021 and 2020 respectively. Siemens Corporation then submits the payment to the U.S. Federal and State tax authorities on the Company's behalf. Furthermore, Siemens Corporation submits payments on behalf of the Company in the amount of $488 and $2,281 for the fiscal years ended September 30, 2021 and 2020 respectively, to the U.S. Federal tax authority for applicable U.S. withholding income taxes.

(Dollars in Thousands, Unless Otherwise Noted)

9. Personnel Costs

The amounts disclosed in the following table are the amounts recognized as an expense related to personnel recorded under General and Administrative expenses, during the years ended September 30, 2021 and 2020:

	2021	2020
Wages and salaries	**$ 6,374**	$ 6,948
Statutory social welfare contributions and employee benefits	**1,422**	1,279
Expenses relating to pension plans and Other Post-Employment Benefits (OPEB)	**46**	56
Total Personnel Costs	**$ 7,842**	$ 8,283

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of SCC and its employees. The Company considers senior management and the business area heads to be key management personnel. The aggregate compensation of key management personnel which includes salaries, bonus, and expenses related to pension and employee benefits was targeted at $3,238 for fiscal year 2021 and was paid in the amount of $2,897 for fiscal year 2020, respectively. The accrued bonus of $768 and the actual bonus paid of $533 were included in fiscal year 2021 and 2020 compensation, respectively. The annual bonus is being paid in December.

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables from Affiliates, net

The Company provides Financing services to affiliates and as of September 30, 2021 and 2020, the Company holds receivables from affiliates as follows:

	2021	2020
Receivables from affiliates, net due within one year (interest rates range from -0.35% to 5.77% in fiscal year 2021 and -0.31% to 5.6% in fiscal 2020)	**$ 7,774,880**	$ 7,085,674
Receivables from affiliates due beyond one year (interest rates range from -0.3% to 5.6% in fiscal year 2021 and 0.12% to 5.6% in fiscal 2020)	**9,267,323**	10,099,439

Maturities of amounts due from affiliates before ECL for each of the following five fiscal years and thereafter are as follows:

	Amount
Fiscal year ending September 30:	
2022	$ 7,870,104
2023	3,177,528
2024	1,227,486
2025	848,599
2026	499,430
Thereafter	3,514,280

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables from Affiliates, net (continued)

The balance composition of the receivables from affiliates due within one year is as follows:

	2021	2020
Siemens Corporation	**$ 1,826,367**	$ 1,734,925
Siemens Financial Services Division	**4,714,405**	4,165,684
Siemens Digital Industry / Digital Factory Division	**1,063,630**	468,609
Other Siemens Divisions	**265,702**	821,732
Total receivables from affiliates due within one year	**$ 7,870,104**	$ 7,190,950
Expected credit loss on receivables from affiliates	**$ (95,224)**	$ (105,276)
Total receivables from affiliates net	**$ 7,774,880**	$ 7,085,674

Receivables from affiliates due within one year and beyond one year significantly decreased in fiscal year 2020 due to the carve-out of Siemens Energy.

The Digital Factory Division was restructured in fiscal year 2020. The new Siemens Digital Industry Division (SDI) consists mainly of the former Digital Factory Division, as such SDI is being reported in the same line.

The balance composition of the receivables from affiliates due beyond one year is as follows:

	2021	2020
Siemens Financial Services Division	**$ 6,538,735**	$ 7,147,097
Siemens Digital Industry/Digital Factory Division	**2,728,588**	2,952,342
Other Siemens Divisions	**-**	-
Total receivables from affiliates due beyond one year	**9,267,323**	$ 10,099,439

During February 2020, the receivables from Power and Gas Division affiliates (i.e. Dresser Rand Corporation) due beyond one year decreased to zero as a result of a loan termination in connection with the Siemens Energy Carve-Out. The termination of the $1,724,240 Term Loan resulted in the

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables from Affiliates, net (continued)

receipt of market value compensation (i.e. termination fee gain) of $721,014 which is included as interest income in the Statement of Comprehensive Income.

Interest income related to receivable from affiliates is as follows:

	2021	2020
Siemens Financial Services Division	**$ 149,870**	$ 230,144
Siemens Corporation	**17,449**	25,733
Power and Gas Division	**-**	757,081
Siemens Digital Industry / Digital Factory Division	**115,568**	124,460
Other Siemens Divisions	**9,790**	19,292
Total interest income related to receivables from affiliates	**$ 292,677**	$ 1,156,710

The (decrease) increase in the Expected credit loss on receivables from affiliates for the fiscal year 2021 and 2020 of ($10,052) and $1,605, respectively, was recorded in the Statements of Comprehensive Income. The significant decrease in the Expected credit loss on receivables from affiliates for the fiscal year 2021 is mainly related to the significant decrease in Receivables from affiliates due beyond one year. SCC utilizes the IFRS 9 general approach (3-Stage model). As of September 30, 2021, and 2020, all SCC Receivables from affiliates are categorized as Stage 1 assets.

The applicable allowance rate equals the multiplication of Probability of Default (PD) and Loss in Event of Default (LiED). Probability of Default is based on the counterparty's rating and the remaining tenor of the financial asset in question. For Stage 1 assets a maturity of up to 12 months is to be used to determine the PD. For example, if a loan is granted with a tenor of one month, the applicable PD would only be the one month PD. Loss in Event of Default equals the difference between the exposure at the point in time that default occurs and the expected amount that can be repaid (i.e. the cash shortfall). The LiED is the amount which the lender would not be able to recover if the borrowing Siemens entity defaulted on their obligation. SCC uses the standardized

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables from Affiliates, net (continued)

Siemens LiED assumption of 45% for investment grade obligors and 75% for non-investment grade obligors.

The Receivables from U.S. owned affiliates of Siemens Corporation, which comprise the majority of SCC's intercompany receivables, are guaranteed by Siemens Corporation in an agreement dated September 23, 2020 for up to a maximum value of $20 billion through September 30, 2024.

11. Other Current Assets

Other current assets in fiscal year 2021 mainly consist of current income tax receivables $27,128. In fiscal year 2020 other current assets were mainly receivables from non-consolidated affiliates.

12. Liabilities to Affiliates

Liabilities to affiliates include the following as of September 30:

	2021	**2020**
Liabilities to affiliates due within one year (interest rates range from -1.04%% to 4.59% in fiscal year 2021 and from -1.03% to 4.35% in fiscal year 2020)	**$ 9,788,250**	$ 5,732,678
Liabilities to affiliates due beyond one year (interest rates range from 2.87% to 4.59% in fiscal year 2021 and from -0.19% to 4.59% in fiscal year 2020)	**6,075,276**	7,951,194

(Dollars in Thousands, Unless Otherwise Noted)

12. Liabilities to Affiliates (continued)

Maturities of amounts due to affiliates, excluding hedge accounting, for each of the following five fiscal years and thereafter are as follows:

	Amount
Fiscal year ending September 30:	
2022	$ 9,788,250
2023	-
2024	-
2025	470,948
2026	-
Thereafter	5,604,328

The balance composition of the liabilities to affiliates due within one year is as follows:

	2021	2020
Corporate related affiliates	**$ 4,769,697**	$ 4,188,425
Siemens Financieringsmaatschappij N.V. (SFM)	**-**	351,729
Siemens Finance B.V.	**-**	302
Siemens Aktiengesellschaft	**3,508,905**	-
Other Siemens Divisions	**1,509,648**	1,192,222
Total liabilities to affiliates due within one year	**$ 9,788,250**	$ 5,732,678

During January 2020, liabilities to Power and Gas Division affiliates due within one year decreased to zero as a result of the transfer of balances through the Siemens intercompany payment system to another related affiliate company in connection with the carve-out of Siemens Energy.

(Dollars in Thousands, Unless Otherwise Noted)

12. Liabilities to Affiliates (continued)

The balance composition of the liabilities to affiliates due beyond one year is as follows:

	2021	2020
Siemens Financieringsmaatschappij N.V. (SFM)	**$ 3,069,806**	$ 4,759,569
Siemens Finance B.V. (SFBV)	**2,728,588**	2,728,588
Siemens Canada	**-**	8,514
Liabilities to affiliates due beyond one year before hedge accounting	**5,798,394**	7,496,671
Hedge Accounting Adjustment (SFM)	**276,882**	454,523
Total liabilities to affiliates due beyond one year	**$ 6,075,276**	$ 7,951,194

Interest expense related to liabilities to affiliates is as follows:

	2021	2020
SFM and SFBV	**$ 252,896**	$ 268,477
Corporate related affiliates	**(666)**	41,855
Siemens AG	**3,295**	4,754
Siemens Digital Industry / Digital Factory Division	**(1,262)**	2,988
Power and Gas Division	**-**	15,048
Other Siemens Divisions	**328**	7,255
Subtotal interest expense before hedge accounting	**254,591**	340,377
Hedge Accounting interest adjustment – Siemens AG	**(35,871)**	(27,262)
Total interest expense related to liabilities to affiliates	**$ 218,720**	$ 313,115

On September 10, 2012, the Company entered into a £350,000 term loan with SFM maturing on September 10, 2025, and a £650,000 term loan with SFM maturing on September 10, 2042. Additionally, on September 10, 2012, SCC entered into a £350,000 and £650,000, USD and Pound Sterling (GBP) cross-currency interest rate swaps and GBP interest rate swaps with Siemens AG

12. Liabilities to Affiliates (continued)

that both mature on September 10, 2025 and September 10, 2042, respectively to hedge the foreign exchange and interest rate risk associated with the above GBP loans.

Effective October 1, 2012, the Company implemented hedge accounting for the above fixed-rate £1 billion borrowings and related interest rate swap hedges. Hedge accounting adjustments including ineffectiveness of $1,011 and $21,755 are included in the carrying amount of the debt obligations as a result of the (losses) and gains recorded in fiscal year 2021 and 2020, respectively.

For more information, please see Note 17, Derivative Financial Instruments and Hedging Activities.

The Company has recorded an unrealized fair market value gain of $69,919 and gain of $66,141 as of September 30, 2021 and 2020, respectively in connection with the GBP cross-currency interest rate swaps which is included in Gain (loss) on financial instruments, net.

On September 5, 2019 the Company entered into €1,796,455 Term Loans with SFM that mature through September 2029. The Company has revalued the loans to $2,103,290 as of September 30, 2020 with recording the unrealized foreign exchange results in Statements of Comprehensive Income. The Company also entered into USD FX Swaps in exchange for the €1,796,455. Applicable unrealized market valuations have been recorded in Positive and Negative fair market values of derivatives on the balance sheet as of September 30, 2020. During Fiscal 2021, the €992,150 and €504,305 Term Loans were terminated resulting in market value compensation fees paid to SFM of $13,437 and $793, respectively which are included in Interest Expense. The applicable USD FX Swaps in the same notional amounts were also terminated. The remaining €300,000 Term Loan matured at the end of September 2021. Offsetting USD FX Swaps have been entered into to compensate the remaining USD FX Swaps.

SCC has entered into master loan agreements with SFM and SFBV and intends to continue obtaining funding from SFM and SFBV. Borrowings from SFM and SFBV consist of both floating as well as fixed rate loans. The loans payable to SFM and SFBV are guaranteed by Siemens Corporation in agreements dated August 18, 2015, September 19, 2017 and October 1, 2020, respectively. Siemens Corporation guarantees SFM loans for up to $15 billion through September 30, 2025 and SFBV loans for up to $20 billion through September 30, 2022.

13. Short-Term Debt

The outstanding balance of short-term debt consists of the following at September 30:

(Dollars in Thousands, Unless Otherwise Noted)

	2021		2020	
	Face Value	**Carrying Value**	**Face Value**	**Carrying Value**
Commercial paper (Interest rate is 0.21% in fiscal year 2021 and 0.18% in 2020)	**$ 15,000**	**$ 14,972**	$ 2,289,688	$ 2,287,924
Bank Overdraft (Interest rate is 3.85% in 2020)	**-**	**-**	2,020	2,020
IFRS 16 (Future minimum lease payments and unamortized finance expenses from leases – real estate leases)	**447**	**447**	533	533
Total Short-Term Debt	**$ 15,447**	**$ 15,419**	$ 2,292,241	$ 2,290,477

Commercial Paper Program

For working capital purposes, the Company has agreements with financial institutions under which it may issue up to $9 billion of commercial paper under a global multi-currency commercial paper program including the ability to issue USD extendable notes, guaranteed by Siemens AG. In fiscal year 2021 and 2020, the Company issued commercial paper in varying amounts to fund the ongoing short-term capital requirements of the Siemens North American affiliates. Typically, these commercial paper issuances have a maturity of 30 to 180 days. Interest rates for commercial paper issued in fiscal year 2021 ranged from 0.05% to 0.21% and from 0.06% to 1.98% for commercial paper issued in fiscal year 2020. The total interest expense on commercial paper is $2,831_and $35,645 in fiscal year 2021 and 2020, respectively and is included in the Statements of Comprehensive Income.

Credit Facilities

The Company participates in credit facilities which are available for general corporate purposes. The credit facilities as of September 30, 2021 and 2020 consisted of $8,105,300 and $8,195,600, respectively in committed unused lines of credit.

The outstanding credit facilities as of September 30, 2021 includes a €7 billion facility agreement that was entered into on February 28, 2019 with a syndicate of international banks. In February

13. Short-Term Debt (continued)

2021 the unused €7.0 billion syndicated credit facility maturing in 2025 was extended to mature in 2026 with no extension option remaining.

Debt Issuance Program

The Company also participates in a Debt Issuance Program with Siemens AG as lead sponsor, whereby the Company currently may issue up to €30 billion of debt instruments. Currently, the Company does not have any debt instruments issued or outstanding under the program. All debt instruments are unconditionally and irrevocably guaranteed by Siemens AG.

14. Other Current Liabilities

Included in Other current liabilities are liabilities for checks and wire transfer payments that are outstanding due to timing. The Company processes payments on behalf of the Siemens North American affiliates through Siemens AG's in-house banking systems.

As of September 30, 2021 and 2020, short-term ECL liabilities for loan commitments of $9,198 and $288, respectively are recorded as other current liabilities.

At September 30, 2020 Other current liabilities included liabilities for income taxes payable (see Notes 6 and 8).

15. Accrued Liabilities

Accrued liabilities are mainly related to employee bonuses and fringe benefits. At September 30, 2021 and 2020, the accrued bonus expenses are $1,255 and $1,208, respectively. Fringe benefits include items such as employee payroll taxes, insurance, health and welfare related costs. At

September 30, 2021 and 2020, the accrued fringe benefits are $4,045 and $4,211, respectively. Other accrued liabilities include liabilities related to vacation, salary and bank fees.

16. Other Liabilities

Other liabilities primarily consist of liabilities related to pension and other post-employment benefit plans. At September 30, 2021 and 2020, the Company's pension plan and other post-employment liabilities were $1,029 and $1,140, respectively.

16. Other Liabilities (continued)

As of September 30, 2021 and 2020, long-term ECL liabilities for loan commitments of $1,308 and $51, respectively are recorded as other liabilities.

17. Derivative Financial Instruments and Hedging Activities

As part of the Company's risk management program, a variety of derivative financial instruments are used to reduce risks related to foreign currency exchange rates and interest rates, as well as to reduce credit risk. The following is a summary of the Company's risk management strategies and the effect of these strategies on the financial statements:

Increasing market fluctuations may result in significant cash flow and earnings volatility risk for the Company. The Company's operating business as well as its investment and financing activities are affected by changes in foreign exchange rates and interest rates. The Company seeks to manage and control these risks primarily through its regular operating and financing activities and uses derivative financial instruments when deemed appropriate.

In order to quantify market risks Siemens has implemented a system based on parametric variance-covariance Value at Risk (VaR). The concept of VaR is used for internal management of the treasury activities. The VaR figures are calculated based on historical volatilities and correlations of various risk factors, a ten-day holding period, and a 99.5% confidence level.

Actual results that are included in the Statements of Comprehensive Income may differ substantially from VaR figures due to fundamental conceptual differences. While the Statements of Comprehensive Income are prepared in accordance with IFRS, the VaR figures are the output of a model with a purely financial perspective and represent the potential financial loss which will not be exceeded within ten days with a probability of 99.5%. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations such as a ten-day holding period which assumes that it is possible to dispose of the underlying positions within this period. This may not be valid during continuing periods of illiquidity in a market. A 99.5% confidence level means that there is a 0.5% statistical probability that losses could exceed the calculated VaR. The use of historical data as a basis for estimating the statistical behavior of the relevant markets and finally determining the possible range of the future outcomes on the basis of this statistical behavior may not always cover all possible scenarios, especially those of an exceptional nature.

17. Derivative Financial Instruments and Hedging Activities (continued)

Foreign Currency Exchange Risk Management

Siemens has a company-wide portfolio approach which generates a benefit from any potential offset of divergent cash flows in the same currency, as well as optimized transaction costs.

Acting in a centralized treasury capacity primarily on behalf of the Siemens AG North American affiliates, SCC assumes the risk of fluctuations of foreign currencies that arise from the international activities of these companies by entering into foreign exchange rate derivative contracts with the respective entities. Additional foreign exchange rate risk exists on the Company's foreign currency denominated receivables from and liabilities to affiliates. The Company mitigates its foreign currency exchange rate exposure associated with fluctuations in foreign currency denominated intercompany borrowings and foreign currency exchange contracts with affiliates by entering into foreign exchange and cross-currency interest rate derivatives with unrelated third-party financial institutions and Siemens AG. The affiliate and third-party derivative financial instruments are recorded at fair value in the Balance Sheets, and the changes in fair value are included in the Statements of Comprehensive Income in accordance with IAS 39.

Transaction Risk and Currency Management

Siemens AG's international operations expose the Company to foreign currency exchange risks in the ordinary course of business. The Company employs various strategies discussed below involving the use of derivative financial instruments to mitigate or eliminate some of those exposures.

Foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. Each Siemens affiliate conducting business with international counterparties that leads to future cash flows denominated in a currency other than its functional currency is exposed to the risk from changes in foreign exchange rates.

Each Siemens affiliate is responsible for recording, assessing, monitoring, reporting, and hedging its foreign currency transaction exposure. The Siemens AG guidelines, for its subsidiaries, provide the concepts for the identification and determination of the single net currency position and mandates companies hedge: at least 75% but no more than 100% of their net foreign currency exposure. In addition, the Controlling and Finance department of Siemens AG provides a framework of the organizational structure necessary for foreign currency exchange management,

17. Derivative Financial Instruments and Hedging Activities (continued)

proposes hedging strategies, and defines the hedging instruments available to the entities: spot contracts, forward contracts, currency swaps, currency put and call options and stop-loss orders. The execution of the hedging transactions in the global financial markets is done by the Company as a service provider primarily for the Siemens AG North American affiliates on behalf of the worldwide Corporate Treasury function.

The VaR relating to foreign currency exchange rates is calculated by using the net currency positions, in each currency, after hedging. The VaR based on a ten-day holding period and a confidence level of 99.5% resulted in a VaR of $50 as of September 30, 2021, compared to a VaR of $159 as of September 30, 2020. Changes in USD values of future cash flows denominated in foreign currency due to volatile foreign exchange rates might influence the unhedged net positions.

Within the various methodologies to analyze and manage risk, Siemens AG implemented a system based on “sensitivity analysis”. This tool enables the Company to identify its risk position and evaluate the exposure in the event that certain specified parameters were to be met. The risk estimate provided here assumes foreign exchange rates for all currencies depreciating by 10% against the USD. Depending on SCC’s net currency position, this could result in an appreciation or depreciation.

The Company aggregates the net foreign exchange rate exposure of its operations. As of September 30, 2021, and 2020, a 10% negative/positive shift of the USD against all foreign currencies would have resulted in an insignificant change in future cash flows for fiscal year 2021 and 2020, respectively. Future changes in the foreign exchange rates can impact net income, the extent of which is determined by the matching of foreign currency gains and losses.

Siemens defines foreign currency exposure generally as balance sheet items in addition to foreign currency denominated cash inflows and cash outflows from future transactions. This foreign currency exposure is determined based on the respective functional currencies used by the Company.

17. Derivative Financial Instruments and Hedging Activities (continued)

The table below shows the net foreign exchange transaction exposure by major currencies as of September 30:

	2021						
	EUR	CAD	MXN	GBP	AUD	Other	Total
				(In Millions USD)			
Balance sheet – financial receivables	**$ 226**	**$ 1,260**	**$ 25**	**$ 98**	**$ 82**	**$ 21**	**$ 1,712**
Balance sheet – financial liabilities	**(215)**	**(557)**	**(84)**	**(2,209)**	**(66)**	**(28)**	**(3,159)**
Net balance sheet exposure	**11**	**703**	**(59)**	**(2,111)**	**16**	**(7)**	**(1,447)**
Foreign exchange transaction exposure – third parties	**704**	**(854)**	**86**	**3**	**(16)**	**2**	**(74)**
Foreign exchange transaction exposure – affiliates	**(713)**	**150**	**(27)**	**2,107**	**1**	**5**	**1,522**
Economically hedged exposure	**$ (9)**	**$ (704)**	**$ 59**	**$ 2,110**	**$ (15)**	**$ 7**	**$ 1,448**
Change in future cash flows after hedging activities resulting from a 10% depreciation of the USD	$ –	$ –	$ –	$ –	$ –	$ –	$ –

	2020						
	EUR	CAD	MXN	GBP	AUD	Other	Total
				(In Millions USD)			
Balance sheet – financial receivables	$ 237	$ 844	$ 11	$ 122	$ 70	$ 28	$ 1,312
Balance sheet – financial liabilities	(2,358)	(424)	(126)	(2,085)	(59)	(56)	(5,108)
Net balance sheet exposure	(2,121)	420	(115)	(1,963)	11	(28)	(3,796)
Foreign exchange transaction exposure – third parties	2,487	(478)	184	22	(11)	6	2,210
Foreign exchange transaction exposure – affiliates	(361)	57	(70)	1,941	0	22	1,589
Economically hedged exposure	$ 2,126	$ (421)	$ 114	$ 1,963	$ (11)	$ 28	$ 3,799
Change in future cash flows after hedging activities resulting from a 10% depreciation of the USD	$ –	$ –	$ –	$ –	$ –	$ –	$ –

17. Derivative Financial Instruments and Hedging Activities (continued)

As of September 30, 2021, and 2020, the Company had total forward foreign exchange contracts outstanding with notional USD equivalent amounts of $9,879,897 and $9,748,348 and had unrealized net losses of $347,503 and $346,290 in 2021 and 2020, respectively. The fair value of the above forward foreign exchange contracts is reflected in Positive fair value of derivatives of $100,237 and $127,955 as of September 30, 2021 and 2020, respectively, and in Negative fair value of derivatives of $447,740 and $474,245 as of September 30, 2021 and 2020, respectively.

A portion of foreign exchange contracts outstanding includes a notional USD equivalent of $2,497,800 and $2,116,243 related to the North American Affiliates, which had unrealized net gains of $33,928 and $4,161 in fiscal year 2021 and 2020, respectively. The foreign exchange contracts also include a cross currency interest rate swaps related to Siemens AG with a notional amount of $2,022,469 and $2,122,992 in fiscal year 2021 and 2020 which had unrealized net losses of $306,443 and $348,666 in fiscal year 2021 and 2020, respectively.

Interest Rate Risk Management

Interest rate risk arises from the sensitivity of financial assets and liabilities to changes in interest rates. To optimize the Company's position with regard to interest income and interest expense and to minimize the overall financial interest rate risk, CF F and the Company manages interest rate risk. Part of the interest rate risk management concept is to match interest maturities of hedges with the intended maturities of assets and liabilities.

Market fluctuations in interest rates are not expected to change net interest income significantly since both financial assets and liabilities are affected. The Company mitigates interest rate risk by entering into interest rate derivative financial instruments, mainly interest rate swaps, U.S. Treasury and Euro-Dollar futures, and to a lesser extent, cross currency swaps, forward rate agreements and interest rate caps. Interest rate swap agreements are used to economically hedge a portion of the Company's receivables and debt that is subject to variable or fixed interest rates.

Assuming historical volatilities and correlations, a ten-day holding period and a confidence level of 99.5% the VaR on the interest rate portfolio was $148,079 and $179,405 as of September 30, 2021 and 2020, respectively.

17. Derivative Financial Instruments and Hedging Activities (continued)

Fair Value Hedging of Fixed-Rate Debt Obligations

Interest rate swap contracts are reflected at fair value in the Company's Balance Sheets. For those hedging relationships that qualify for fair value hedging under IAS 39, the related portion of fixed-rate debt being hedged is reflected at an amount equal to the sum of its book value and an amount representing the change in fair value of the debt obligations attributable to the interest rate risk being hedged. Changes in the fair value of interest rate swap contracts, and the offsetting changes in the adjusted carrying value of the related portion of the fixed-rate debt being hedged, are recognized in the Statements of Comprehensive Income as adjustments to Gain (loss) on financial instruments, net.

Effective October 1, 2012, the Company implemented hedge accounting for its fixed-rate £1,000,000 borrowings which are mentioned in Note 12.

The notional values of the related swap agreements of $1,345,566 and $1,283,279, in fiscal year 2021 and 2020, respectively resulted in an unrealized loss of $179,151 compared to an unrealized gain of $66,701 in fiscal year 2021 and 2020, respectively. Hedge accounting adjustments in the carrying amount of the debt obligations resulted in a gain (loss) of $176,629 and ($23,627) in fiscal year 2021 and 2020, respectively. Accordingly, the net effect recognized in Gain (loss) on financial instruments, net excluding the ineffective portion of the hedging relationship, amounts to a loss of ($2,522) and to a gain of $43,074 for fiscal year 2021 and 2020, respectively. The hedging ineffectiveness for fiscal year 2021 and 2020 amounts to a (loss) gain of ($1,011) and $21,755, respectively. The main reason of ineffectiveness for the GBP transactions is that the interest rates between the loans and the corresponding interest rate swaps do not match. Net cash receipts and payments relating to the above-mentioned interest rate swap agreements are also recorded in Gain (loss) on financial instruments, net.

Additionally, the positive market value difference at inception, October 1, 2012, amounted to $28,238 which is amortized using the effective yield method over the original 13- and 30-year life of the £1 billion loans.

The amortization amount included in the above noted adjustments in the carrying amount of the debt obligations for fiscal year 2021 and 2020 was $789 and $790, respectively which is recognized in the Statements of Comprehensive Income as adjustments to Gain (loss) on financial

17. Derivative Financial Instruments and Hedging Activities (continued)

instruments, net. The remaining unamortized positive market value difference regarding the loans as of September 30, 2021 and 2020 is $20,384 and $21,173, respectively which will be amortized over the remaining life of the loans as stated above.

Non-Hedging Interest Rate Derivative Financial Instruments

The Company holds interest rate swap contracts to pay variable rates of interest at an average of 2.09% and 2.22% as of September 30, 2021 and 2020, respectively and receives rates of interest at an average rate of 0.23% and 0.34% as of September 30, 2021 and 2020, respectively relating to the economically hedged receivables from and liabilities to affiliates. As of September 30, 2020, the Company had external interest rate swap contracts with notional amounts of $66,405. The Company has no external interest rate swap contracts as of September 30, 2021. The notional amount of indebtedness with economic hedges as of September 30, 2021 and 2020 was $2,064,115 and $3,694,439, respectively and is related to interest rate swaps with Siemens AG. The notional amount of interest rate futures contracts as of September 30, 2021 and 2020 amounts to $419,275 and $214,937, respectively.

The notional amounts of these contracts mature at varying dates based on the maturity of the underlying hedged items. All interest rate derivative instruments that do not qualify for hedge accounting under IAS 39 are recorded at net fair value (including accrued interest) with the changes in fair value (including accrued interest) recognized in Gain (loss) on financial instruments, net. The fair value of these derivatives is reflected in Negative fair value of derivatives in the amount of $96,731 and $275,002 as of September 30, 2021 and 2020, respectively, and Positive fair value of derivatives in the amount of $813 and $89,677 as of September 30, 2021 and 2020, respectively. The net realized and unrealized (losses) and gains related to interest rate derivatives were recorded in Gain (loss) on financial instruments, net in the amount of $38,995 and $(94,656) for the years ended September 30, 2021 and 2020, respectively.

(Dollars in Thousands, Unless Otherwise Noted)

17. Derivative Financial Instruments and Hedging Activities (continued)

The Company's derivative financial instruments have various maturities with an ultimate maturity of greater than ten years. The following is a table of derivative instruments outstanding notional volumes as of September 30:

	2021	2020
Derivatives designated as hedging instruments under IAS 39		
Interest rate swap contracts	**$ 1,345,566**	$ 1,283,279

	2021	2020
Derivatives not designated as hedging instruments under IAS 39		
Interest rate swap contracts	**$ 2,064,115**	$ 3,760,844
Foreign exchange contracts	**9,879,897**	9,748,348
Futures contracts	**419,275**	214,937
Total	**$ 12,363,287**	$ 13,724,129

(Dollars in Thousands, Unless Otherwise Noted)

17. Derivative Financial Instruments and Hedging Activities (continued)

The following are fair values of each type of derivative financial instrument as of September 30:

	Positive Fair Value of Derivatives		Negative Fair Value of Derivatives	
	2021	2020	2021	2020
	Fair Value	Fair Value	Fair Value	Fair Value
Derivatives designated as hedging instruments under IAS 39				
Interest rate contracts	**$ 307,949**	$ 487,009	**$ -**	$ -

	Positive Fair Value of Derivatives		Negative Fair Value of Derivatives	
	2021	2020	2021	2020
	Fair Value	Fair Value	Fair Value	Fair Value
Derivatives not designated as hedging instruments under IAS 39				
Interest rate swaps	**$ 813**	$ 89,677	**$ 96,731**	$ 275,002
Foreign exchange contracts	**100,237**	127,955	**447,740**	474,245
Total	**$ 101,050**	$ 217,632	**$ 544,471**	$ 749,247

(Dollars in Thousands, Unless Otherwise Noted)

17. Derivative Financial Instruments and Hedging Activities (continued)

The following are the effects of the derivative instruments in Gain (loss) on financial instruments, net in the Statements of Income for the years ended September 30:

Derivatives Not Designated as Hedging Instruments Under IAS 39	Location of Gain (loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income 2021	2020
Interest rate swaps and futures contracts	Gain (loss) on financial instruments, net	**$ 38,995**	$ (94,656)
Foreign exchange contracts	Gain (loss) on financial instruments, net	**71,114**	156,418
Total		**$ 110,109**	$ 61,762

Certain previous fiscal year amounts in note 17 have been adjusted to conform to 2021's presentation.

18. Financial Risk Management

Credit Risk Management

The effective monitoring and controlling of credit risk is a core competency of Siemens AG's risk management system. Siemens AG has implemented a worldwide binding credit policy.

Credit evaluations and/or ratings are performed on all counterparties with an exposure or requiring credit beyond a defined limit.

Counterparty ratings are analyzed and defined by a designated Siemens AG department. Individual counterparty limits are based on generally accepted rating methodologies, the input from external rating agencies and Siemens AG's default experiences. Such ratings are processed by internal risk assessment specialists. Ratings and credit limits are carefully considered in determining the conditions to enter into derivative contracts with counterparties. The Company does not net outstanding derivatives positions with the same counterparties.

The Company has a concentration of credit risk related to its receivables from affiliates which are viewed as Siemens intercompany positions. Please refer to ECL in Note 10.

18. Financial Risk Management (continued)

The maximum credit exposure for all financial assets equals its fair value amounts as disclosed on Note 19. The Company typically does not require collateral from counterparties.

Liquidity Risk Management

Liquidity risk results from the Company's potential inability to meet its financial liabilities including settlement of its financial debt, or for ongoing cash requirements from operating activities. Because the Company's funding is primarily through its affiliates, the liquidity risk is that funding may not be available to the Company to enable it to meet its obligations if the affiliates are unable or unwilling to provide the necessary funding. The Company has $3.1 billion of borrowings from SFM and $2.7 billion of borrowings from SFBV as of September 30, 2021 primarily assumed to fund continuing operations.

In addition to effective net working capital and cash management, the Company mitigates liquidity risk through parent company financing and arranged borrowing facilities with highly rated financial institutions, via a debt issuance program and via a global multicurrency commercial paper program and revolving facility agreement. The Company's third-party financing is guaranteed by Siemens AG.

The Company's capital resources consist of a variety of short-term and long-term financial instruments including, but not limited to, commercial paper, as well as credit facilities. In addition to Cash and cash equivalents, liquid resources consist of future cash flows from operating activities.

19. Fair Value of Financial Instruments

IFRS 7, Financial Instrument Disclosure, requires an entity to disclose the fair value of assets and liabilities in a way that permits it to be compared with the corresponding carrying amount in the Balance Sheets. The estimation of fair values of financial instruments is based on comparable transactions, discounted future cash flows, quoted market prices, and/or estimates of the costs to terminate or otherwise settle comparable contracts. Assets and liabilities that are reflected in the financial statements at fair value, or at a carrying amount that approximates fair value,

(Dollars in Thousands, Unless Otherwise Noted)

19. Fair Value of Financial Instruments (continued)

are not included in the table contained herein. Such assets and liabilities include Cash and cash equivalents, Trade and other receivables, Receivables from affiliates, net – current, Positive fair value of derivatives, Liabilities to affiliates – current, Negative fair value of derivatives.

The fair value estimates made as of September 30, 2021 and 2020, were based upon pertinent market data and relevant information on the financial instrument at that time. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire portion of the financial instrument. Since no market exists for a portion of the financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The following table presents the carrying values and fair values of the Company's financial instruments not measured at fair value on the balance sheet as of September 30:

	2021		**2020**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial instruments included in the balance sheets:				
Assets:				
Long-term receivables from affiliates	**$ 9,267,323**	**$ 10,293,307**	$ 10,099,439	$ 11,661,998
Liabilities:				
Short-term debt	**14,972**	**15,000**	2,287,924	2,289,688
Long-term liabilities to affiliates	**6,075,276**	**7,998,906**	7,951,194	10,745,584

(Dollars in Thousands, Unless Otherwise Noted)

19. Fair Value of Financial Instruments (continued)

The following table allocates the Company's financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy as of September 30:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Long-term receivables from affiliates	**$**	**$ 10,293,307**	$	**$ 10,293,307**
Derivative financial instruments		**408,999**		**408,999**
Total	**$**	**$ 10,702,306**	$	**$ 10,702,306**
Financial liabilities measured at fair value:				
Short-term debt	**$**	**$ 15,000**	$	**$ 15,000**
Long-term liabilities to affiliates		**8,275,789**		**8,275,789**
Derivative financial instruments		**544,471**		**544,471**
Total	**$**	**$ 8,835,260**	$	**$ 8,835,260**

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Long-term receivables from affiliates	$ -	$ 11,661,998	$ -	$ 11,661,998
Derivative financial instruments	-	704,640		704,640
Total	$ -	$ 12,366,638	$ -	$ 12,366,638
Financial liabilities measured at fair value:				
Short-term debt	$ -	$ 2,289,688	$ -	$ 2,289,688
Long-term liabilities to affiliates	-	11,200,107	-	11,200,107
Derivative financial instruments	-	749,247	-	749,247
Total	$ -	$ 14,239,042	$ -	$ 14,239,042

The Company did not hold any Level 1 and 3 assets or liabilities in fiscal year 2021 and 2020.

20. Commitments and Contingencies

SCC incurs rental costs associated with its primary location in Iselin, New Jersey, from Siemens Real Estate, a division of Siemens Corporation. In addition to rental payments, operating expenses including maintenance costs and service fees are charged.

The net rental payments were $469 and $485 for fiscal year 2021 and 2020, respectively. At September 30, 2021, the future minimum rental payments, excluding renewal options, are $483 under the New Jersey office lease maturing on September 30, 2022. See Note 3 for information related to IFRS 16, Leases which was adopted in fiscal year 2020.

SCC entered into forward-starting loans with affiliated companies. The total nominal value of the forward-starting loans is $1,418,777 and $165,990 as of September 30, 2021, and 2020, respectively with tenors ranging from 2 to 94 months and varying maturities (maximum maturity through October 2029). The resulting loans will be covered by the Siemens Corporation guarantee. The resulting credit risk has been included in the ECL calculation.

21. Member's Equity

The Company is a limited liability company directly and wholly owned by Siemens Corporation who is its sole member. The Company has no shares and no authorized share equity as of September 30, 2021 and 2020.

22. Subsequent Events

The Company has evaluated subsequent events through November 19, 2021 and has determined that no subsequent events have occurred that would require disclosure in the financial statements or accompanying notes.