

SIEMENS

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Annual Report

Siemens

Financieringsmaatschappij N.V.

October 1, 2018 – September 30, 2019

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Siemens Financieringsmaatschappij N.V.

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Siemens Financieringsmaatschappij N.V.

REPORT OF THE MANAGEMENT BOARD

Report of the Management Board

Herewith we present the Financial Statements of Siemens Financieringsmaatschappij N.V. (the Company or SFM) as of September 30, 2019. These Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with Part 9 of Book 2 of the Dutch Civil Code.

General

Siemens Financieringsmaatschappij N.V. is registered at Prinses Beatrixlaan 800, 2595 BN The Hague, the Netherlands, a public company, founded on September 14, 1977 under the laws of the Netherlands and acts under its legal and commercial name Siemens Financieringsmaatschappij N.V.

The Company acts as a finance company for the benefit of Siemens AG and Siemens AG Group companies (Affiliated Companies). The Company is a 100% subsidiary of Siemens AG Berlin / Munich.

Until March 30, 2019, the Company was part of the Global Markets section of Siemens Treasury which was part of the Siemens division, Financial Services (SFS). Due to the new global organizational setup of Siemens AG, from April 1, 2019 the Company has been part of the Group Funding section of Siemens Corporate Finance Financing (CF F). Group Funding and SFM as an issuer are responsible for safeguarding the Siemens Group's liquidity by establishing the necessary capital market instruments such as commercial paper, medium-term notes and long-term bonds.

Objectives

The objectives of the Company, in accordance to article 3 of the Articles of Association, are participating in, financing and managing companies, enterprises and other business undertakings, withdrawing and lending money and, in general conducting financial transactions, issuing securities and doing all such further actions and taking measures as are consequential or may be conducive thereto in the broadest sense.

Strategy

The Company is a funding party of the Affiliated Companies. Funding is found by borrowing on the money and capital markets by issuing loans, bonds, notes and commercial papers. The Company has no participations.

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, Siemens AG, Germany. In the next fiscal year the Company will continue its activities as financing company for Affiliated Companies.

Risk management

Under responsibility of the Management Board, systems for internal control and for the management of risks within the Company were set up, in cooperation with Siemens AG, to identify and subsequently manage the credit, interest and foreign exchange rate risks which could endanger the realization of the objectives of the Company.

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Most interest risks and foreign exchange risks are covered by mirror deals or hedging instruments. The majority of the Company's assets are Receivables from Affiliated Companies. Credit losses on Receivables from Affiliated Companies exceeding €2 million are covered by a Limited Capital at Risk Agreement with Siemens AG. Furthermore, all debt instruments of SFM are unconditionally and irrevocably guaranteed by Siemens AG.

In addition, as of October 1, 2018, the Company recognises an allowance for expected credit losses for Receivables from Affiliated Companies according to the General Approach of IFRS 9.

The Company has assessed the effects of BREXIT and concludes that the impact on the Company will be limited.

Changes of regulations, laws and policies

The Affiliated Companies, which are partners of the Company in different business transactions, operate in different countries of the world and are, therefore, subject to different regulations. With support of Siemens internal and external tax and legal advisors the management of the Company continuously monitors current and upcoming changes in regulations, laws and policies. Legislative changes could affect business relationships with the companies in those countries, but the impact on objectives and overall result of the Company is considered to be low.

Risk and Internal control framework

The Company implemented extensive risk and internal control framework established in the Siemens Group. The Company also continuously improves its risk management in alignment with Siemens guidelines and standards.

The Corporate Governance Statement of the Company is published on the Company's website.

Assessment of the overall risk situation

The Company's response strategies with respect to risks are avoidance, transfer, reduction or acceptance (e.g. in case of changes in legislation) of the relevant risk. Considering these strategies, the level of risks and uncertainties that the Company is prepared to accept (Risk Appetite) is considered to be low. Siemens controlling departments regularly review the adequacy and effectiveness of the Company's risk management system. Accordingly, if deficits are detected, it is possible to adopt appropriate elimination measures. At present, no risks have been identified that either individually or in combination could endanger the Company's ability to continue as a going concern.

Business Review

The Company participates as issuer in a €15.0 billion Programme for the issuance of Debt Instruments (DIP) and in a US\$9.0 billion global commercial paper program, both established by Siemens AG. Siemens AG unconditionally and irrevocably guarantees all debt securities of the Company.

As of September 30, 2018, the Company also participates in three credit facility programs of Siemens AG.

During fiscal year 2019, a number of debt instruments with a total nominal value of €3.3 billion matured and were redeemed.

In February, under the DIP, the Company issued bonds in 4 tranches with a total nominal value of €3.0 billion and maturities of 5, 9, 12 and 20 years. A second issuance took place in September, whereby the Company issued bonds in 4 tranches

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with a total nominal value of €3.5 billion and maturities of 2, 5, 10 and 15 years. The net proceeds of both of these issuances were on lent to Affiliated Companies.

The total nominal amount outstanding under the DIP was €14.4 billion as of September 30, 2019.

The Company's balance sheet increased from €29.4 billion to €34.1 billion mainly due to the debt issuances.

In April, loans to a US affiliate with a value of \$4.3 billion (€3.8 billion) were terminated and reissued to Siemens AG at the same amount. A net market value compensation \$43.5 million (€38.7 million) was received.

Net interest income decreased from €28.7 million in fiscal year 2018 to €11.4 million in 2019.

Interest income increased by €81.9 million year-on-year. This was due to the bond issuances which took place this year and at the end of last year, as well as the market value compensation received under the above-mentioned USD loan restructuring.

Interest expenses increased by €101.1 million year-on-year, partially driven by the movement in the interest result on interest rate swaps which was caused by a number of maturities occurring last fiscal year. In addition, interest related expenses were paid under the remuneration agreement with Siemens AG. The Company has adopted the Siemens AG worldwide policy for fixing interest rates for receivables and liabilities with Affiliated Companies at arm's length prices and has entered into an agreement with Siemens AG ensuring fair, arm's length interest compensation for activities performed. The settlement following from this agreement is stated as interest related income or, in this case, interest related expenses.

After taking account of changes in the fair value of derivatives and movements in the currency result, the Company recorded a profit after taxes of €6.7 million for the fiscal year 2019 compared with a loss after taxes of €0.9 million in fiscal year 2018.

Tax

In fiscal year 2017 a joint German Dutch tax audit was conducted by the German and Dutch tax authorities in order to confirm the transfer pricing policy by the Company for the fiscal years 2017 up to and including 2019. As a result the Limited Capital at Risk Agreement was updated for the Company in fiscal year 2017.

The agreement between the Dutch and German tax authorities expired on September 30, 2019 and the tax authorities have not agreed upon its prolongation. Based on a benchmark research conducted in 2019, it was confirmed that the current transfer pricing policy is still at arm's length, as such there is no need to adjust the Limited Capital at Risk Agreement. Therefore, the Company will continue to use the transfer pricing policy as agreed in the agreement. This has been communicated to the German and Dutch tax authorities.

Diversity

"Diversity strengthens our innovative capacity, unleashes the potential of Siemens' employees and thereby directly contributes to our business success." – Janina Kugel, Board Member Siemens AG and Chief Diversity Officer.

To foster diversity throughout the Siemens organization, Siemens AG launched a Diversity Initiative, which bundles targeted measures and projects for ensuring and further enhancing diversity at all levels of Siemens. Examples include the global network of Siemens Diversity Ambassadors, who identify diversity issues Company-wide.

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REPORT OF THE MANAGEMENT BOARD

The Management Board and the Supervisory Board of the Company fully support the Diversity Initiative and the Diversity-principles. In preparing recommendations on the appointment of members of the Management Board or members of the Supervisory Board, the Supervisory Board takes into account a candidate's professional qualifications, international experience and leadership qualities, the Board's plans for succession as well as the Board's diversity and, in particular, the appropriate consideration of women and/or cultural background.

The Supervisory Board and the Management Board are staffed with members with different nationalities and different working experiences as well as different ages. The gender balance of the Management Board is fifty-fifty.

Other items

All personnel are employed by the regional company Siemens Nederland N.V.

Due to the listing of bonds at the Luxembourg Stock Exchange the Company is regarded as a "Public Interest Entity (Organisatie van Openbaar Belang (OOB))".

The Company applies best practice provision 1.5.1. (part i) of the Dutch Corporate Governance Code (the "Code") concerning the audit committee and principles 1.6 and 1.7 of the Code concerning the external auditor.

Representation by the Management Board as required under section 3 (2) of the Transparency Law

Management declares that, to the best of its knowledge, the Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with Part 9 of Book 2 of the Dutch Civil Code give a true and fair view of the assets, liabilities, financial position and results of the Company. The report of the Management Board includes a fair review of the development and performance of the business during the fiscal year, the position of the Company on the balance sheet date and a description of the material risks that the Company faces.

The Hague, December 3, 2019

Siemens Financieringsmaatschappij N.V.

The Management Board

G.J.J. van der Lubbe
Managing Director

K.E. Mitchell
Managing Director

Siemens Financieringsmaatschappij N.V.

REPORT OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Composition of Supervisory Board and Audit Committee

Dr. P. Rathgeb (1967, Austrian nationality, male) Chairman of the Supervisory Board

Member of the Supervisory Board since: 01-07-2018

Dr. H. Bernhöft (1958, German nationality, male)

Member of the Supervisory Board since: 14-01-2011

B.G. Trompert (1948, Dutch nationality, male)

Member of the Supervisory Board since: 01-07-2009

Presentation

We hereby submit the Report of the Supervisory Board of Siemens Financieringsmaatschappij N.V. for the fiscal year 2019. The Financial Statements have been audited by Mazars Accountants N.V. and were provided with an unqualified independent auditor's opinion. Our Board recommends the General Meeting of Shareholders to adopt the Financial Statements and to grant discharge to the members of the Management Board.

Meetings and other sessions

The Supervisory Board convened twice in the fiscal year 2019. During these meetings and during other ad hoc contacts with the Management Board throughout the year, monitoring is ensured.

Risks and internal risk management systems

The Siemens risk management system - laid down in the Siemens Policy and Control Masterbook - is regarded as the single source for globally relevant control requirements at Siemens. The Company is integrated in this Siemens Group wide risk system.

Financial reporting

The reporting processes were presented and clarified to the Supervisory Board. On the basis of this presentation and the reports from the external auditor, the Supervisory Board is of the opinion that the Management Board sufficiently meets its responsibilities.

External auditor

Prior to the financial audit the audit findings have been discussed and agreed upon with the external auditor, the Supervisory Board assessed the independence of the external auditor. It was concluded that, amongst others, in view of the absence of non-audit services, there is no question of threats to independence.

The Hague, December 3, 2019

Dr. P. Rathgeb
Chairman

Dr. H. Bernhöft

B.G. Trompert

Siemens Financieringsmaatschappij N.V.
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Financial Statements

Statement of Comprehensive Income

(in millions of €)	Fiscal year ended September 30,		
	Notes	2019	2018
Interest income	4	868.3	786.4
Other financial income	4	-	0.3
Interest expenses	4	(852.3)	(751.2)
Other financial expenses	4	(4.6)	(6.8)
Net interest income (expenses)		11.4	28.7
Fair value changes of financial instruments	5	0.3	31.1
Non-trading foreign exchange results	6	(1.8)	(60.3)
Net operating income (loss)		9.9	(0.5)
Other general expenses	7	(1.0)	(0.7)
Profit (loss) before taxes		8.9	(1.2)
Income tax revenue (expenses)	8	(2.2)	0.3
Profit (loss) after taxes		6.7	(0.9)
Other comprehensive income		-	-
Income tax relating to components of other comprehensive income		-	-
Total other comprehensive income after taxes		-	-
Total comprehensive income for the period attributable to equity holders		6.7	(0.9)

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Statement of Financial Position

ASSETS (in millions of €)	Notes	Sept. 30, 2019	Oct. 1, 2018¹⁾	Sept. 30, 2018
Cash and cash equivalents	9	36.3	66.5	66.5
Receivables from Affiliated Companies	10	33,619.7	29,037.4	29,040.1
Derivative financial instruments	11	425.5	283.2	283.2
Other financial assets	12	14.7	13.7	13.7
Total assets		34,096.2	29,400.8	29,403.5

LIABILITIES AND EQUITY (in millions of €)	Notes	Sept. 30, 2019	Oct. 1, 2018¹⁾	Sept. 30, 2018
Liabilities				
Liabilities to Affiliated Companies	13	9.5	11.3	11.3
Debt	14	33,843.0	29,172.2	29,172.2
Tax liabilities	8	0.1	-	-
Deferred tax liabilities	8	0.2	0.2	0.9
Other liabilities	15	164.6	145.0	145.0
Total liabilities		34,017.4	29,328.7	29,329.4
Equity attributable to equity holders				
Issued and paid in share capital	16	10.3	10.3	10.3
Share premium reserve	16	1.5	1.5	1.5
Retained earnings	16	60.3	61.2	63.2
Undistributed profit (loss)	16	6.7	(0.9)	(0.9)
Total equity attributable to equity holders		78.8	72.1	74.1
Total liabilities and equity		34,096.2	29,400.8	29,403.5

¹⁾ The figures of 1 October 2018 have been adjusted based on the first-time adoption of IFRS 9.

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Statement of Cash Flows

(in millions of €)	Notes	Fiscal year ended September 30,	
		2019	2018
Profit (loss) before taxes		8.9	(1.2)
Adjustments for non-cash income/ expenses			
Amortization (dis-) agio	4	17.4	16.7
Amortization transaction cost	4	11.0	10.9
Non-trading foreign exchange results	6	1.8	49.8
Fair value change of debt in a hedging relationship	5	141.9	(206.2)
Change in Derivative financial instruments	12	(143.3)	176.3
Change in Interest accrual receivables	10	(59.0)	(3.5)
Change in Allowance for expected credit losses	7/10	0.3	-
Other movements from operations			
Change in Other financial assets	12	0.1	0.0
Change in Other liabilities	15	19.5	(31.6)
Change in Receivables from Affiliated Companies	10	(3,217.5)	4,196.7
Change in Liabilities to Affiliated Companies	13	(1.8)	(3,389.3)
Transaction cost paid		(28.8)	(15.8)
Income taxes received (paid)	8	(2.0)	(2.2)
Net cash (used in) provided by operating activities		(3,251.5)	800.6
Net cash provided by investing activities			
Proceeds from issuance of debt	14	6,500.0	2,750.0
Redemption of debt	14	(3,278.7)	(3,505.5)
Dividends paid			-
Net cash (used in) provided by financing activities		3,221.3	(755.5)
Net change in cash and cash equivalents		(30.2)	45.1
Cash and cash equivalents at beginning of fiscal year		66.5	21.4
Cash and cash equivalents at end of fiscal year	9	36.3	66.5

Interest paid and received (in millions of €)	Fiscal year ended September 30,	
	2019	2018
Interest paid	(776.8)	(740.2)
Interest received	765.4	762.5
Interest related income (expense)	(34.4)	8.1

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Statement of Changes in Equity

(in millions of €)	Issued and paid-in capital	Share premium reserve	Retained earnings	Undistributed profit (loss)	Total
Balance as at October 1, 2017	10.3	1.5	64.5	(1.3)	75.0
Appropriation of undistributed profit (loss)	-	-	(1.3)	1.3	-
Dividends	-	-	-	-	-
Total comprehensive income for the fiscal year ended September 30, 2018	-	-	-	(0.9)	(0.9)
Balance as at September 30, 2018	10.3	1.5	63.2	(0.9)	74.1
Balance as at September 30, 2018	10.3	1.5	63.2	(0.9)	74.1
Effects from the first-time adoption of IFRS 9	-	-	(2.0)	-	(2.0)
Balance as at October 1, 2018¹⁾	10.3	1.5	61.2	(0.9)	72.1
Balance as at October 1, 2018	10.3	1.5	61.2	(0.9)	72.1
Appropriation of undistributed profit (loss)	-	-	(0.9)	0.9	-
Dividends	-	-	-	-	-
Total comprehensive income for the fiscal year ended September 30, 2019	-	-	-	6.7	6.7
Balance as at September 30, 2018	10.3	1.5	60.3	6.7	78.8

¹⁾ The figures of 1 October 2018 have been adjusted based on the first-time adoption of IFRS 9.

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NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

1. Basis of presentation

Reporting entity

Siemens Financieringsmaatschappij N.V. is a company domiciled in the Netherlands. The address of the Company's registered office is Prinses Beatrixlaan 800, 2595 BN The Hague, the Netherlands. Registration is in The Hague Chamber of Commerce at September 14, 1977, number 27092998. The Company has chosen Luxembourg as its home member state, pursuant to the law on transparency requirements for issuers of securities. The Company acts as a finance company for the benefit of Siemens AG and Siemens AG Group companies (Affiliated Companies). Since September 28, 1992, the Company is a 100% subsidiary of Siemens AG Berlin/Munich, which is also the ultimate owner of the Company. The Company's Financial Statements are included in the Siemens AG Consolidated Financial Statements.

The Management Board may decide to amend the Financial Statements as long as these are not adopted by the General Meeting. The General Meeting may decide not to adopt the Financial Statements, but may not amend these.

The Financial Statements were authorised for issue by the Management Board on December 3, 2019.

Reporting standard

The accompanying Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with Part 9 of Book 2 of the Dutch Civil Code. The Company applied all standards and interpretations that were effective as of October 1, 2018. The following standards and interpretations are mandatory and/or implemented for the first time:

Standard	Interpretation	Effective date	Endorsed by EU	Impact
IFRS 15	Revenue from contracts with customers	January 1, 2018	Y	None
IFRS 9	Financial Instruments (issued in 2014)	January 1, 2018	Y	See below
IFRS 2	Classification and Measurement of Share-based Payment transactions – Amendments to IFRS 2	January 1, 2018	Y	None
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts – Amendment to IFRS 4	January 1, 2018	Y	None
IAS 40	Transfers of Investment Property – Amendments to IAS 40	January 1, 2018	Y	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	Y	None
AIP	Annual improvements to International Financial Reporting Standards - 2014-2016 cycle	January 1, 2018	Y	None
IFRS 1	IFRS 1: First time adoption of IFRS			
IAS 28	IAS 28: Investments in Associates and Joint Venture			

In July 2014, the IASB issued IFRS 9, Financial Instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a single approach for the classification and measurement of financial instruments

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according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regards to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018. The Company adopted IFRS 9 as of October 1, 2018 and will not adjust comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions.

Categorisation of financial instruments as of October 1, 2018:

Financial Assets <small>(in millions of €)</small>	Category		Carrying amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Receivables from Affiliated Companies	Loans and receivables	At amortised cost	29,037.4	29,040.1
Derivative financial instruments	Hedge accounting	Hedge accounting	283.2	283.2
Total Financial Assets			29,320.6	29,323.3

Financial Liabilities <small>(in millions of €)</small>	Category		Carrying amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Liabilities to Affiliated Companies	Other liabilities	At amortised cost	11.3	11.3
Debt	Other liabilities	At amortised cost	29,172.2	29,172.2
Total Financial Liabilities			29,183.5	29,183.5

The impact of various changes is explained below:

- Prior to the adoption of IFRS 9, financial instruments were accounted for in accordance with IAS 39. Pursuant to this reporting standard the Company's financial assets were classified as Receivables and measured after initial measurement at amortized cost using the effective interest method. The Company has assessed the effects of adopting IFRS 9 and concludes that there is no impact on the classification and measurement of financial instruments.
- Accounting for allowance for expected credit losses for financial assets has changed from incurred loss approach within IAS 39 to a forward looking expected credit loss approach. Receivables from Affiliated Companies, which are measured at amortized cost, are subject to the new impairment requirements. The Company recognizes an allowance for expected credit losses for Receivables from Affiliated Companies according to the General Approach of IFRS 9, which consists of 3-stage model differentiating between 12-months expected credit losses and lifetime expected credit losses. The calculations are primarily based on information which is available in the market (e.g. ratings) as well as on internal and external information on recovery rates. The first application, based on the 12-months expected credit loss model results in an allowance for expected credit losses amounting to €2.7 million, net of tax effects approximately €2.0 million. As a consequence the total initial recognition of IFRS 9 results in a reduction of equity by €2.0 million and is stated in an adjusted openings balance.
- The Company also adopted the IFRS 9 hedge accounting rules from October 1, 2018. At the date of the initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships, which is consistent with prior periods. The adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Company's Financial Statements.

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A number of standards, amendments to standards and interpretations is not effective for the fiscal year beginning October 1, 2018 and has not been early adopted. The relevant (amendments to) standards and interpretations not adopted are:

Standard	Interpretation	Effective date	Endorsed by EU	Impact
IFRS 16	Leases	January 1, 2019	Y	None
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	Y	Limited
IFRS 9	Prepayment Features with negative Compensation – Amendments to IFRS 9	January 1, 2019	Y	None
IAS 28	Long term interests in Associates and Joint Ventures – Amendments to IAS 28	January 1, 2019	Y	None
IAS 19	Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	January 1, 2019	Y	None
AIP	Annual improvements to International Financial Reporting Standards - 2015-2017 cycle	January 1, 2019	Y	None
IFRS 3	IFRS 3: Business Combinations			
IFRS 11	IFRS 11: Joint Arrangements			
IAS 12	IAS 12: Income tax consequences of payments on financial instruments classified as equity			
IAS 23	IAS 23: Borrowing costs eligible for capitalization			
IFRS 3	Amendment: Definition of Business	January 1, 2020	Y	None
IFRS 9 / IAS 39 / IFRS 7	Amendment: Interest Rate Benchmark Reform	January 1, 2020	N	Significant in principle
IAS 1 / IAS 8	Amendment: Definition of Material	January 1, 2020	Y	Limited
-	The Conceptual Framework for Financial Reporting	January 1, 2020	Y	None
IFRS 17	Insurance Contracts	January 1, 2021	N	None
IFRS 10 / IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed	N	None

2. Summary of significant accounting policies

Valuation principles

The Financial Statements have been prepared on the historical cost basis unless indicated otherwise below.

Affiliated Companies

Affiliated Companies are Siemens AG and its subsidiaries which are directly or indirectly controlled by Siemens AG.

Functional and presentational currency

The Company's functional and presentational currency is euro, as this is the currency of the primary economic environment in which the Company operates. All financial information presented in euro has been rounded to the nearest million, unless otherwise stated. The consequence is that the rounded amounts may not add up to the rounded total in all cases.

Transactions in foreign currencies are initially recorded at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using period-end exchange rates. All differences are taken to the Statement of Comprehensive Income, Non-trading foreign exchange results.

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NOTES TO THE FINANCIAL STATEMENTS

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The exchange rates of the currencies used in this report were as follows:

Currency	Symbol	Year-end exchange rate 1 € quoted into currencies specified below	
		September 30, 2019	2018
British pound	£	0.8857	0.8873
U.S. dollar	US\$	1.0889	1.1576

Income Taxes

The Company applies IAS 12, Income Taxes. Current tax is calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules and represents the expected tax payable or receivable for the fiscal year. Additional tax payments respectively tax refunds for prior years are also taken into account.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the statement of financial position carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the Statement of Comprehensive Income, unless related to items directly recognized in equity in the period the new laws are substantively enacted. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized.

Financial instruments

A financial instrument is a monetary contract between parties. Financial assets mainly include Cash and cash equivalents, Receivables from Affiliated Companies and Derivative financial instruments with a positive fair value. Financial liabilities mainly comprise issued Notes and bonds, Loans from banks, Commercial paper and Derivative financial instruments with a negative fair value.

Financial instruments are recognized on the Statement of Financial Position when the Company becomes a party to the contractual obligations of the instrument. Initially, financial instruments are recognized at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognized in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial instruments are measured according to the category to which they are assigned.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, or if the Company has transferred its rights to receive cash flows from the asset. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled, settled or expired.

Cash and cash equivalents

Cash and cash equivalents, including the current account with Siemens AG, are measured at amortized cost.

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Receivables

The Company's Financial assets classified as receivables are measured after initial measurement at amortized cost using the effective interest method. Financial assets are classified as "at amortized cost" if the following two conditions are both met: 1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and 2) the contractual terms of the financial asset generate cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortization is included in Interest income in the Statement of Comprehensive Income. Impairment and expected credit losses are recognized using separate allowance accounts.

A receivable is derecognized when the rights to receive cash flows from the receivable have expired, or if the Company has transferred its rights to receive cash flows from the receivable.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). The presumption of IFRS 9 is that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The calculations are primarily based on information which is available in the market (e.g. ratings) as well as on internal and external information on recovery rates.

Since the Company's (current and non-current) Receivables mainly consist of balances due from the Affiliated Companies, valuation and collectability of these Receivables depend upon the financial position and creditworthiness of the involved companies and of the Siemens AG Group as a whole. The Receivables of the Affiliated Companies are mainly related to intergroup financing, therefor the creditworthiness is evaluated quarterly.

Financial liabilities

The Company measures financial liabilities, except for derivative financial instruments and debt designated in a fair value hedge relationship, at amortized cost using the effective interest method. The amortization is included in Interest expenses in the Statement of Comprehensive Income.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled, settled or expired.

Siemens Financieringsmaatschappij N.V.

NOTES TO THE FINANCIAL STATEMENTS

Derivative instruments

Derivative financial instruments, such as foreign currency exchange contracts and interest rate swap contracts, are measured at fair value. Fair value gains and losses on interest bearing derivative financial instruments exclude interest. The fair value of interest rate swap contracts is estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of forward foreign exchange contracts is based on forward exchange rates.

Derivative financial instruments are recognized initially at fair value through profit and loss unless they are designated as hedging instruments in a fair value hedge relationship, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognized periodically in net income, net of applicable deferred income taxes.

In consistence with the principles of IFRS 13 the Company reflects counterparty risk on derivative assets (CVA) and own non-performance risk on derivative liabilities (DVA).

Hedge accounting

The Company uses derivative instruments to mitigate risks related to interest rates and foreign currency translations. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for speculative purposes.

In order to manage risks related to foreign currency translations, the Company can use currency swaps. The Company does not apply hedge accounting for cross currency swaps.

In order to manage interest rate risks, all fixed rated notes and bonds are either swapped to floating or on lent with the same structure to Affiliated Companies. To minimize the exposure of the Company to fair value changes of the swaps resulting from changes in market interest rates, the Company applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Company formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed quarterly. A hedge is expected to be highly effective if the changes in fair value attributable to the hedged risk during the period for which the hedge is designated are expected to offset each other.

Fair value hedges

The carrying amount of the hedged item is adjusted by the gain or loss attributable to the hedged risk. For designated and qualifying fair value hedges, the changes in the fair values of the hedging derivatives and the hedged items are recognized in the Statement of Comprehensive Income, Fair value changes of financial instruments. For hedged items carried at amortized cost, the base adjustment is amortized such that it is fully amortized by maturity of the hedged item. The amortization is recognized in the Statement of Comprehensive Income, Interest expenses.

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NOTES TO THE FINANCIAL STATEMENTS

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the Statement of Comprehensive Income, Interest expenses.

Related party transactions

The transactions of the Company mainly comprise transactions with Affiliated Companies and are executed on an “at arm’s length” basis. The Company did not enter into any transactions with members of the Management Board nor with members of the Supervisory Board.

Revenue recognition

Interest revenues are recognized and accounted for in the period to which they relate. The interest revenues are recognized using the effective interest rate.

Interest expenses

Interest expenses are recognized and accounted for in the period to which they relate. Interest is recognized using the effective interest method.

Negative interest income and Negative interest expenses

Due to the current economic situation some interest rates have been set below zero. This leads to the situation that the Company pays interest for bank deposits and Receivables from Affiliated Companies and receives interest for Liabilities to Affiliated Companies. Negative interest income and Negative interest expenses are recognized and accounted for in the period to which they relate. They are recognized using the effective interest rate. The negative interest is presented under Other financial income and Other financial expenses in the profit and loss statement and in Note 4.

Cost recognition

Expenses are recognized and accounted for in the period to which they relate.

Dividends

Dividends proposed by the Management Board are not recorded in the Financial Statements until the dividends are declared.

Cash pool

The form of the cash pools is zero-balancing where all account balances are automatically transferred to one control account held by Siemens AG. Funds moving into these accounts create intercompany balances between the Company and Siemens AG. In the Financial Statements, these intercompany balances are included in Cash and cash equivalents under the title of ‘current account’.

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NOTES TO THE FINANCIAL STATEMENTS

Statement of Cash Flows

The Statement of Cash Flows shows how the Cash and cash equivalents of the Company have changed during the course of the fiscal year as a result of cash inflows and cash outflows. Cash flows are classified into cash flows from operating, investing and financing activities.

The Company's purpose is to assist the financing of the activities conducted by the Affiliated Companies. The assistance is considered to be an operating activity of the Company. The cash flows from operating activities are computed using the indirect method, starting from the profit before taxes of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

The accounting policies set out above have been applied consistently to all periods presented in these Financial Statements.

3. Management estimates and judgments

Certain accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on financial condition or results of operations. Critical accounting estimates could also involve estimates where management reasonably could have used a different estimate in the current accounting period. Although the number and complexity of management estimates and judgments are limited in these accounts, management cautions that future events often vary from forecasts and that estimates routinely require adjustment.

Fair value of financial instruments

There are three levels of fair value:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as 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 (unobservable inputs).

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from quoted prices in active markets (Level 2 and 3), they are determined using valuation techniques including the discounted cash flows model. 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 (Reuters) and yield curve over the remaining term of the instrument. The fair value of forward foreign exchange contracts is based on forward exchange rates.

The inputs to these models are taken from observable markets where possible (Level 2), but where this is not feasible, a degree of judgment is required in establishing fair values (Level 3). The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 17 for further information.

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NOTES TO THE FINANCIAL STATEMENTS

4. Interest income and expenses

Details of interest income and expenses (in millions of €)	Fiscal year ended September 30,	
	2019	2018
Interest income on Receivables from Affiliated Companies	824.5	765.8
Other interest income	43.8	12.5
Interest related income	-	8.1
Interest income	868.3	786.4
Other financial income	-	0.3
Interest expenses on financial debt	(877.5)	(863.0)
<i>Therein:</i>		
<i>Amortization of (dis-) agio</i>	(17.4)	(16.7)
<i>Amortization of transaction costs</i>	(11.0)	(10.9)
Interest expenses on Liabilities to Affiliated Companies	(0.2)	(11.1)
Other interest expenses	(5.1)	(4,5)
Interest related expense	(34.4)	-
Interest result on Interest rate swaps ¹⁾	64.9	127.4
Interest expenses	(852.3)	(751.2)
Other financial expenses	(4.6)	(6.8)
Net interest income (expenses)	11.4	28.7

¹⁾ As the Interest rate swaps are used as interest hedging instruments for issued debt the interest income and expenses are displayed as a net value within this position.

The Company receives/pays compensation for loans issued to/borrowed from Affiliated Companies which are early terminated. These amounts are presented in Other interest income and Other interest expenses.

The Company applies the Siemens AG worldwide policy for fixing interest rates for receivables from and liabilities to Affiliated Companies at arms' length prices. The Company entered into an agreement with Siemens AG limiting the capital at risk for the Company and ensuring fair, arm's length interest compensation for activities performed. When the total actual interest result differs from the total agreed interest result the difference is settled following this agreement and stated as Interest related income or Interest related expense.

Due to the current economic situation some interest rates have been set below zero. This leads to the situation that the Company has to pay interest for Receivables from Affiliated Companies which is presented in Other financial expenses (negative interest income), and receives interest for Liabilities to Affiliated Companies, which is presented in Other financial income (negative interest expenses).

The total interest result varies due to market interest changes, changes in portfolio of loans and borrowings and the agreement with Siemens AG as mentioned.

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NOTES TO THE FINANCIAL STATEMENTS

5. Fair value changes of financial Instruments

Derivatives (in millions of €)	Fiscal year ended September 30,	
	2019	2018
<i>Change in fair value of interest rate swaps</i>	142.4	(215.4)
<i>Change in the adjustment of carrying amount due to fair value hedge accounting</i>	(141.9)	206.2
Ineffective portion of fair value hedges	0.5	(9.2)
Fair value changes of currency swaps	(0.2)	40.3
Total of changes in Derivatives	0.3	31.1

The effective portion of fair value hedges consists of the change in the fair values of the hedging instruments (interest rate swaps) and the change in the fair values of the hedged items (hedged part of notes, bonds and loans from banks). The presented ineffective portion is mainly caused by the use of the fixed rate in the hedged item and the floating rate in the hedging instruments. In addition, a credit value adjustment on interest rate swaps is considered.

Currently the Company does not have any cross currency swaps outstanding.

6. Non-trading foreign exchange results

Currency results (in millions of €)	Fiscal year ended September 30,	
	2019	2018
Currency result on assets	1,306.2	368.7
Currency result on debt	(1,308.0)	(418.5)
Other currency result	0.0	(10.5)
Total currency results	(1.8)	(60.3)

The currency result of the Company is due to the positions in foreign currencies such as U.S. dollar (US\$) and British pound (£) and the volatility in the currency exchange rates. The total currency results must be considered in conjunction with 'Fair value changes of currency swaps' as mentioned in Note 5.

7. Other general expenses

The other general expenses mainly relate to cost from the regional company Siemens Nederland N.V. related to the staff, working for the Company. The total general expenses for the fiscal year 2019 amounted to €1.0 million. The Company recognized an allowance for expected credit losses of €-0.3 million (2018: €0.0 million) according to IFRS 9 in respect of Receivables from Affiliated Companies. The other general expenses also include the costs for Ernst & Young Accountants LLP of 21,583 excl. VAT, which relate completely to group reporting (2018: €29,491, which relates to group and statutory reporting), and to Mazars Accountants N.V. of €56,200 excl. VAT, which relate completely to statutory audit costs (2018: €0.0).

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8. Income tax

Taxes are based on the applicable tax laws and rates. Insofar as valuations for tax purposes differ from the principles as applied in these Financial Statements, and these result in deferred tax liabilities, a provision is formed for these liabilities, calculated according to the statutory tax rate applicable as at reporting date. The taxation on result comprises both current taxes and deferred taxes, taking account of tax facilities and non-deductible costs.

Income tax benefit (expenses) <i>(in millions of €)</i>	Fiscal year ended September 30,	
	2019	2018
Current tax benefit (expenses)	(2.1)	(2.0)
Deferred tax benefit (expenses)	(0.1)	2.3
Total income tax benefit (expenses)	(2.2)	0.3

For fiscal years ended September 30, 2019 and 2018, the Company is subject to Dutch corporate income tax. The statutory tax rate is 25.0% (2018: 25.0%).

For the calculation of the income tax expenses, according to the statutory Dutch income tax rate, there are no material differences. The position is calculated as follows:

Reconciliation of the income tax benefit (expenses) <i>(in millions of €)</i>	Fiscal year ended September 30,	
	2019	2018
Profit (loss) before taxes	8.9	(1.2)
Income tax using corporate tax rate of 25.0% (2018: 25.0%)	(2.2)	0.3
Total income tax benefit (expenses)	(2.2)	0.3

The effective tax rate is 24.9% (2018: 25.8%).

The change in the income tax consists of the following:

Tax receivables (liabilities) <i>(in millions of €)</i>	September 30,	
	2019	2018
Balance at beginning of the fiscal year	0.0	(0.2)
Current income tax benefit (expenses)	(2.1)	(2.0)
Income tax paid to tax authorities, net	2.0	2.2
Balance at the end of the fiscal year	(0.1)	0.0

The Company applies Hedge Accounting for financial instruments designated as hedging instruments in a fair value hedge relationship. For tax purposes this result is not considered.

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The change in the deferred tax liability consists of the following:

Deferred tax asset (liability) <i>(in millions of €)</i>	September 30,	
	2019	2018
Balance at beginning of the fiscal year	(0.9)	(3.2)
Effects from the first-time adoption of IFRS 9	0.7	-
Deferred tax benefit (expense) for fiscal year	(0.1)	2.3
Balance at the end of the fiscal year	(0.2)	(0.9)

Deferred taxes are computed at the enacted statutory tax rate applicable in the year when the usage is expected.

9. Cash and cash equivalents

Cash and cash equivalents relate completely to the current account with Siemens AG. As the Company participates in the Siemens cash pool, the bank balances of the Company are transferred to the Siemens cash pool on a daily basis. The balances remain at the disposal of the Company and are readily convertible to known amounts of cash.

As per September 30, 2019 the Company has a total Cash and cash equivalents position of €36.3 million (2018: €66.5 million).

10. Receivables from Affiliated Companies

Receivables from Affiliated Companies <i>(in millions of €)</i>	September 30,	
	2019	2018
Interest receivables	122.7	63.8
Loans < 1 year	4,585.9	4,229.1
Loans > 1 year	28,914.1	24,747.2
Expected credit losses < 1 year and > 1 year	(3.0)	-
Total Receivables from Affiliated Companies	33,619.7	29,040.1

In fiscal years ended September 2019 and 2018 there were no impairment of receivables.

The currency result on assets (Note 6) and the change in the Receivables from Affiliated Companies excluding Interest receivables and excluding expected credit losses result in €-3,217.5 million (2018: €4,196.7 million) which is presented in the Statement of Cash Flows item "Change in Receivables from Affiliated Companies".

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NOTES TO THE FINANCIAL STATEMENTS

11. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

(in millions of €)	September 30, 2019			September 30, 2018		
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
Derivatives used as fair value hedges						
Interest rate swaps < 1 year	7.9	-	1,000.0	-	-	-
Interest rate swaps > 1 year	417.6	-	1,607.1	283.2	-	2,511.7
Total	425.5	-	2,607.1	283.2	-	2,511.7
Total Derivatives	425.5	-	2,607.1	283.2	-	2,511.7

As per September 30, 2019, all interest rate swaps are designated as hedging instruments in a fair value hedge relationship. In most interest rate swap contracts Siemens AG is the counterparty. The arrangements have been entered into to swap the fixed interest on long term debt into floating interest.

12. Other financial assets

The Other financial assets comprise the net interest accrual of interest rate swap contracts with a positive fair value and other financial assets. The total amounts are due within one year.

(in millions of €)	September 30,	
	2019	2018
Other financial assets		
Interest accrual Interest rate swaps	14.7	13.6
Other financial assets	-	0.1
Total Other financial assets	14.7	13.7

The change in the Derivative financial instruments (Note 11) and the change in Total Other financial assets result in €-143.3 million (2018: €176.3 million) which is presented in the Statement of Cash Flows item "Change in Derivative financial instruments".

13. Liabilities to Affiliated Companies

(in millions of €)	September 30,	
	2019	2018
Liabilities to Affiliated Companies		
Interest accruals	(0.0)	(0.0)
Borrowings < 1 year	(9.5)	(11.3)
Other Liabilities to Affiliated Companies	(0.0)	(0.0)
Total Liabilities to Affiliated Companies	(9.5)	(11.3)

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The change in the Liabilities to Affiliated Companies result in €-1.8 million (2018: €-3,389.3 million) which is presented in the Statement of Cash Flows item “Change in Liabilities to Affiliated Companies”

14. Debt

Debt <i>(in millions of €)</i>	September 30,	
	2019	2018
Notes and bonds (< 1 year)	(4,037.0)	(3,141.5)
Notes and bonds (> 1 year)	(28,887.7)	(25,166.8)
Total Notes and bonds	(32,924.7)	(28,308.3)
Loans from banks (< 1 year)	(459.2)	-
Loans from banks (> 1 year)	(459.1)	(863.9)
Total Loans from banks	(918.3)	(863.9)
Total debt	(33,843.0)	(29,172.2)

As of September 30, 2019, the weighted average interest rate for loans from banks was 2.8% (2018: 3.2%) and the weighted average interest rate for notes and bonds was 2.4% (2018: 2.7%).

Debt carrying amount <i>(in millions of €)</i>	September 30,	
	2019	2018
Notes, bonds and loans from banks	(33,557.3)	(29,025.8)
Adjustment of carrying amount due to fair value hedge accounting	(421.5)	(279.7)
Other financial indebtedness	135.8	133.3
<i>Therein:</i>		
<i>Unamortized portion of (dis-) agio</i>	63.5	65.4
<i>Unamortized portion of transaction costs</i>	72.3	67.9
Total debt	(33,843.0)	(29,172.2)

Notes and bonds

Details of the Company's instruments <i>(in millions of €)</i>		September 30,			
		2019		2018	
		notional amount	carrying amount €	notional amount	carrying amount €
US\$ 3m LIBOR+1.4% 2012/2019 US\$ floating-rate instruments ¹⁾	US\$	-	-	400.0	345.5
2.75% 2012/2025 GBP fixed-rate instruments ¹⁾	£	350.0	394.2	350.0	393.4
3.75% 2012/2042 GBP fixed-rate instruments ¹⁾	£	650.0	723.1	650.0	721.3
1.5% 2012/2020 EUR fixed-rate instruments ²⁾	€	1,000.0	1,007.6	1,000.0	1,020.7
1.75% 2013/2021 EUR fixed-rate instruments ¹⁾	€	1,250.0	1,248.4	1,250.0	1,247.3
2.875% 2013/2028 EUR fixed-rate instruments ¹⁾	€	1,000.0	997.4	1,000.0	996.9
3.5% 2013/2028 US\$ fixed-rate instruments ¹⁾	US\$	100.0	90.2	100.0	84.7
2013/2020 US\$ floating-rate instruments ¹⁾	US\$	400.0	367.2	400.0	345.3
2014/2019 US\$ floating-rate instruments ¹⁾	US\$	-	-	300.0	259.1
2014/2021 US\$ floating-rate instruments ¹⁾	US\$	400.0	367.2	400.0	345.4
0.375% 2018/2023 EUR fixed-rate instruments ¹⁾	€	1,000.0	997.1	1,000.0	996.3
1.0% 2018/2027 EUR fixed-rate instruments ¹⁾	€	750.0	745.9	750.0	745.4
1.375% 2018/2030 EUR fixed-rate instruments ¹⁾	€	1,000.0	993.2	1,000.0	992.6
0.3% 2019/2024 EUR fixed-rate instruments ¹⁾	€	750.0	748.7	-	-

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0.9% 2019/2028 EUR fixed-rate instruments	¹⁾	€	650.0	646.2	-	-
1.25% 2019/2031 EUR fixed-rate instruments	¹⁾	€	800.0	795.0	-	-
1.75% 2019/2039 EUR fixed-rate instruments	¹⁾	€	800.0	790.7	-	-
0.0% 2019/2021 EUR fixed-rate instruments	¹⁾	€	1000.0	1,005.1	-	-
0.0% 2019/2024 EUR fixed-rate instruments	¹⁾	€	500.0	504.2	-	-
0.125% 2019/2029 EUR fixed-rate instruments	¹⁾	€	1,000.0	992.2	-	-
0.5% 2019/2034 EUR fixed-rate instruments	¹⁾	€	1,000.0	989.9	-	-
Total Debt Issuance Program				14,403.5		8,493.9
6.125% 2006/2026 US\$ fixed-rate instruments	²⁾	US\$	1,750.0	2,016.5	1,750.0	1,764.9
2.15% 2015/2020 US\$ fixed-rate instruments	¹⁾	US\$	1,000.0	917.8	1,000.0	862.6
2.90% 2015/2022 US\$ fixed-rate instruments	¹⁾	US\$	1,750.0	1,605.1	1,750.0	1,508.9
3.25% 2015/2025 US\$ fixed-rate instruments	¹⁾	US\$	1,500.0	1,372.6	1,500.0	1,290.1
4.40% 2015/2045 US\$ fixed-rate instruments	¹⁾	US\$	1,750.0	1,586.9	1,750.0	1,491.3
US\$ 3m LIBOR+0.32% 2016/2019 US\$ floating-rate instruments ¹⁾		US\$	-	-	350.0	302.2
1.30% 2016/2019 US\$ fixed-rate instruments	¹⁾	US\$	-	-	1,100.0	949.4
1.70% 2016/2021 US\$ fixed-rate instruments	¹⁾	US\$	1,100.0	1,008.8	1,100.0	948.2
2.00% 2016/2023 US\$ fixed-rate instruments	¹⁾	US\$	750.0	685.4	750.0	643.8
2.35% 2016/2026 US\$ fixed-rate instruments	¹⁾	US\$	1,700.0	1,554.1	1,700.0	1,460.7
3.30% 2016/2046 US\$ fixed-rate instruments	¹⁾	US\$	1,000.0	910.2	1,000.0	855.5
US\$ 3m LIBOR+0.34% 2017/2020 US\$ floating-rate instruments ¹⁾		US\$	800.0	734.5	800.0	690.4
2.20% 2017/2020 US\$ fixed-rate instruments	¹⁾	US\$	1,100.0	1,009.9	1,100.0	949.2
US\$ 3m LIBOR+0.61% 2017/2022 US\$ floating-rate instruments ¹⁾		US\$	850.0	779.5	850.0	732.8
2.70% 2017/2022 US\$ fixed-rate instruments	¹⁾	US\$	1,000.0	916.1	1,000.0	860.7
3.125% 2017/2024 US\$ fixed-rate instruments	¹⁾	US\$	1,000.0	915.8	1,000.0	860.8
3.40% 2017/2027 US\$ fixed-rate instruments	¹⁾	US\$	1,250.0	1,143.8	1,250.0	1,075.2
4.20% 2017/2047 US\$ fixed-rate instruments	¹⁾	US\$	1,500.0	1,364.2	1,500.0	1,282.3
Total US\$ Bonds				18,521.2		18,529.0
1.65%/2012/2019 US\$ fixed-rate instruments	¹⁾	US\$	-	-	1,500.0	1,285.4
Total Bonds complemented with warrants issued by SAG						1,285.4
Total instruments				32,924.7		28,308.3

¹⁾ instruments not designated in a hedge accounting relationship measured at amortized cost

²⁾ instruments designated in a hedge accounting relationship measured at amortized cost with a fair value basis adjustment for the hedged risk

All instruments are guaranteed by Siemens AG.

Debt issuance program

Together with Siemens AG and Siemens Capital Company LLC, the Company has agreements with financial institutions under which it may issue instruments up to €15.0 billion. As of September 30, 2019, €14.4 billion (2018: €8.5 billion) in notional amounts are issued and outstanding.

During fiscal year 2019 the following instruments matured and were redeemed at face value as due: the US\$ 3m LIBOR+1.4% 2012/2019 US\$ floating-rate instruments of US\$0.4 billion (€0.3 billion as of February 21, 2019); the 2014/2019 US\$ floating-rate instruments of US\$0.3 billion (€0.3 billion as of March 6, 2019).

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In February 2019, the Company issued instruments totalling €3.0 billion in four tranches maturing in 2024, 2028, 2031 and 2039. In September 2019, the Company issued instruments totalling €3.5 billion in four tranches maturing in 2021, 2024, 2029 and 2034.

US\$ Bonds

The US\$ 3m LIBOR+0.32% 2016/2019 US\$ floating-rate instruments of US\$0.4 billion (€0.3 billion as of September 13, 2019), and 1.30% 2016/2019 US\$ fixed-rate instruments of US\$1.1 billion (€1.0 billion as of September 13, 2019) matured and were redeemed at face value as due.

Bonds complemented with warrants issued by SAG

In February 2012, Siemens issued USD bonds with warrant units in an aggregate principal amount of US\$ 3 billion in two tranches. The bonds issued by the Company are guaranteed by Siemens AG and complemented with warrants issued by Siemens AG. The tranche 1.65%/2012/2019 US\$ fixed-rate instrument of US\$1.5 billion (€1.4 billion as of August 16, 2019) matured and was redeemed at face value as due.

Term loans

Details of term loans (in millions of €)		September 30,			
		2019		2018	
		notional amount	carrying amount €	notional amount	carrying amount €
US\$ LIBOR 3M + 0.79% 2013/2020 US\$ term loan	US\$	500.0	459.2	500.0	431.9
US\$ LIBOR 3M + 0.625% 2019/2024 US\$ term loan	US\$	500.0	459.1	500.0	432.0
Total term loans			918.3		863.9

The total amount outstanding of the debt instruments of the table "Details of the Company's instruments" and total amount outstanding of the term loans of the table "Details of term loans" result in €33,843.0 million (2018: €29,172.2 million) which is presented in the Statement of Financial Position item "Debt".

Credit facilities

As of September 30, 2019, the Company participates in two credit facility programs of Siemens AG under which the Company may draw up to €7.0 billion and €450 million respectively. The €450 million revolving bilateral credit facility was extended from September 2019 to September 2020. The €7.0 billion syndicated credit facility is maturing in 2024. The Company did not utilize these facilities so far.

Commercial paper programme

On April 4, 2007 Siemens AG, Siemens Capital Company LLC and Siemens Financieringsmaatschappij N.V. established an US\$9.0 billion global commercial paper programme for the issuance of commercial paper. In the fiscal year the Company issued no Commercial Papers (2018: 0) under this program. The program was updated on March, 2019.

Siemens Financieringsmaatschappij N.V.

NOTES TO THE FINANCIAL STATEMENTS

15. Other liabilities

The total amount of Other financial liabilities is due within one year.

Other liabilities <small>(in millions of €)</small>	September 30,	
	2019	2018
Other financial liabilities	(164.6)	(145.0)
Total Other liabilities	(164.6)	(145.0)

Other financial liabilities refer completely to the accrued interest on notes, bonds and loans from banks.

16. Equity

The Company's authorized share capital is divided in 50,000 shares with a nominal value of €1,000 each, of which 10,256 shares have been issued and fully paid in. All shares are held by Siemens AG. During the fiscal year, there were no movements in the number of shares. The share premium reserve comprises additional paid-in capital on the issue of the shares.

Retained earnings are available for distribution upon decision of the General Meeting. The holders of the shares are entitled to execute the rights under the Netherlands Civil Code without any restrictions.

Undistributed profit comprises the profit for the actual period. For the fiscal year 2019, the Management Board and the Supervisory Board propose to pay dividend of €6.7 million which is €650 per share. Payment of any dividend is contingent upon approval by the shareholders at the General Meeting. In fiscal year ended September 30, 2019 no dividend was paid as profit distribution.

Solvency

Given the objectives of the Company, the Company is economically interrelated with the parent company, Siemens AG, Germany. In assessing the solvency and general risk profile of the Company also the solvency of Siemens AG as a whole needs to be considered. The structure and organisation of the Company are such that interest, foreign exchange, market, credit and operational risks to the Company are strictly limited in design. Receivables from Affiliated Companies are priced on an "at arm's length" basis. All issued shares – fully held by the parent company – are part of the Company's capital management objectives.

Siemens AG's corporate credit ratings:

	September 30, 2019		September 30, 2018	
	Moody's Investors Service	Standard & Poor's Rating Services	Moody's Investors Service	Standard & Poor's Rating Services
Long term debt	A1	A+	A1	A+
Short term debt	P-1	A-1+	P-1	A-1+

Capital Management

The Company's capital consists of issued and paid in share capital, share premium reserves and retained earnings as stated as Equity in the Statement of Financial position and the Statement of changes in Equity. The Company is set up to serve funding needs of Affiliated Companies following the strategy of the parent company, Siemens AG. The return on equity held by the Company is a key objective of neither the Company nor Siemens AG as the sole shareholder, as this results from the strategic decisions at group level relating to funding of local activities. The Company is not subject

Siemens Financieringsmaatschappij N.V.

NOTES TO THE FINANCIAL STATEMENTS

to externally imposed capital requirements. The Company did not change its objectives, policies and processes for capital management during the fiscal year.

17. Additional disclosures on financial instruments

This section gives a comprehensive overview of the significance of financial instruments for the Company and provides additional information on Statement of Financial Position items that contain financial instruments.

The following table presents the carrying amounts of each category of financial assets and liabilities:

Financial assets <small>(in millions of €)</small>	September 30, 2019		September 30, 2018	
	Fair value	Carrying amount	Fair value	Carrying amount
Cash and cash equivalents ¹⁾	36.3	36.3	66.5	66.5
Receivables from Affiliated Companies ¹⁾	37,594.2	33,619.7	29,984.8	29,040.1
Derivatives without a hedging relationship ³⁾	-	0.0	-	-
Derivatives with a hedging relationship ³⁾	425.5	425.5	283.2	283.2
Other financial assets ³⁾	14.7	14.7	13.7	13.7
Total financial assets	38,070.7	34,096.2	30,348.2	29,403.5
Financial liabilities				
Liabilities to Affiliated Companies	(9.5)	(9.5)	(11.3)	(11.3)
Notes and bonds ^{1/2)}	(36,716.9)	(32,924.7)	(29,125.1)	(28,308.3)
Loans from banks ^{1/2)}	(926.8)	(918.3)	(870.3)	(863.9)
Other financial liabilities ¹⁾	(164.6)	(164.6)	(145.0)	(145.0)
Total financial liabilities	(37,817.8)	(34,017.1)	(30,151.7)	(29,328.5)

¹⁾ Carrying amounts measured at amortized cost

The fair values of Cash and cash equivalents, Other financial assets and Other financial liabilities approximate their carrying amount largely due to the short-term maturities of these instruments. All new issued bonds, notes and loans from banks are measured at amortized cost. Due to their long maturity the carrying amounts of these instruments do not approximate their fair values. The Company lends the amounts of these instruments to the Affiliated Companies. Due to their long maturity the fair values of these receivables do not approximate their carrying amount. The fair value of these receivables (incl. expected credit losses) is estimated by discounting future cash flows using rates currently available for instruments with similar terms and remaining maturities (Level 2). The carrying amounts for notes and bonds and loans from banks also contain transaction costs, which are measured at amortized cost.

²⁾ Carrying amounts measured at amortized costs with a fair value basis adjustment for the hedged risk

The basis adjustment of quoted notes and bonds is derived from price quotations at the balance sheet date (Level 2).

³⁾ Carrying amounts measured at fair value

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 calculated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

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NOTES TO THE FINANCIAL STATEMENTS

Derivative currency contracts: The fair value of forward foreign exchange contracts is based on forward exchange rates.

The following tables allocate the financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy as per September 30, 2019 and 2018.

September 30, 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments	-	425.5	-	425.5
Financial liabilities measured at fair value				
Derivative financial instruments	-	-	-	-

September 30, 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments	-	283.2	-	283.2
Financial liabilities measured at fair value				
Derivative financial instruments	-	-	-	-

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as 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 (unobservable inputs).

During the fiscal year, no transfers between Level 1, Level 2 and Level 3 occurred.

As per September 30, 2019, no Level 3 investments are held the movement analysis and sensitivity analyses on Level 3 investments are not applicable.

Net gains (losses) of financial instruments (in millions of €)	September 30,	
	2019	2018
Derivative financial instruments in connection with fair value hedges	142.4	(215.4)
Notes, bonds and loans from banks	(141.9)	206.2
Derivative financial instruments not designated in a hedge accounting relationship	(0.2)	40.3
Total net gains (losses) of financial instruments	0.3	31.1

Net gains (losses) on derivative financial instruments in connection with fair value hedges and net losses/gains on notes, bonds and loans from banks together present the ineffective portion of fair value hedges.

Net gains (losses) on derivative financial instruments not designated in a hedge accounting relationship consist of changes in the fair value of derivative financial instruments.

18. Financial risk management

As part of the Company's risk management program, a variety of derivative financial instruments is used to reduce risks resulting primarily from fluctuations in foreign exchange rates and interest rates. In accordance with its treasury

Siemens Financieringsmaatschappij N.V.

NOTES TO THE FINANCIAL STATEMENTS

policy, the Company does not hold or issue derivative financial instruments for speculative purposes. The Company has exposure to the following risks:

- Foreign currency exchange rate risk
- Interest rate risk
- Liquidity risk
- Credit risk

Foreign currency exchange rate risk

Foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. In order to minimize exchange rate risks the Company seeks to lend and borrow in the same currency. Furthermore, the Company uses currency swaps to limit foreign exchange risks. All such derivative financial instruments are recorded at fair value on the Statement of Financial Position and changes in fair values are charged to net income.

As per end of the fiscal year, the U.S. dollar position and British pound position are caused by several bonds that serve to finance several loans to Affiliated Companies in the same currency. The total of these loans covers approximately the full value of the bonds in the respective currency. Therefore, the remaining foreign currency exposure is low.

The table below shows the foreign-currency positions of the Company before and after currency swaps:

Currency	30 September 2019 before swaps	Currency swaps	30 September 2019 net position ¹⁾	Effects of 10% rise in €	Effects of 10% decline in €	30 September 2018 net position ¹⁾
British pound	4.1	-	4.1	(0.4)	0.5	3.2
U.S. dollar	0.6	-	0.6	(0.1)	0.1	1.8

¹⁾ A positive amount is an asset: when euro gains in value the effect is negative on net income.

During the fiscal year, the outstanding net foreign currency position fluctuates. As a consequence, the currency result presented in Note 6 is not related to the outstanding position at the year end.

As the Company entered into an agreement with Siemens AG limiting the capital at risk for the Company and ensuring fair, arm's length interest compensation for activities performed, the sensitivity of the Company's results to changes in currency exchange rates is mitigated.

Interest rate risk

The Company's interest rate risk exposure is mainly related to notes and bonds. It arises from the sensitivity of financial assets and liabilities to changes in market rates of interest. The Company seeks to mitigate such a risk either by lending onwards with the same structure to Affiliated Companies or by entering into interest rate derivative financial instruments such as interest rate swaps. Under the interest rate swap agreements the Company agrees to pay a variable rate of interest multiplied by a notional principle amount, and receive in return an amount equal to a specified fixed rate of interest multiplied by the same notional principal amount.

The Company had interest rate swap contracts to pay variable rates of interest (average rate of 1.47% and 1.58% as of September 30, 2019 and 2018 respectively) and received fixed rates of interest (average rate of 4.30% and 4.23% as of September 30, 2019 and 2018 respectively). The notional amount of indebtedness hedged as of September 30, 2019 amounts to €2.6 billion (2018: €2.5 billion). The notional amounts of these interest rate swap contracts mature at varying dates based on the maturity of the underlying hedged items.

Siemens Financieringsmaatschappij N.V.

NOTES TO THE FINANCIAL STATEMENTS

In cases where the Company is lending to Affiliated Companies with a duration that differs from the duration of the notes and bonds including the swap a mismatch could lead to an interest rate risk. The average interest rate on receivables in the fiscal year ended September 30, 2019 was 2.64% (2018: 2.57%). As the Company entered into an agreement with Siemens AG limiting the capital at risk for the Company and ensuring fair, arm's length interest compensation for activities performed, the sensitivity of the Company's results to changes in market interest rates is mitigated. The settlements for the Capital at Risk Agreement can be found in Note 4.

Assuming historical volatilities and correlations, a ten day holding period and a confidence level of 99.5% the interest rate VaR was €2.4 million as of September 30, 2019 (2018: €0.7 million). The interest rate risk results from the unrealized gains and losses out of hedge packages, which is not covered by the Limited Capital at Risk Agreement with Siemens AG. Although VaR is an important tool for measuring risk, the assumptions on which the model is based give rise to some limitations including the following. A ten day holding period assumes that it is possible to dispose of the underlying positions within this period. While this is considered to be a realistic assumption in almost all cases, it may not be valid during prolonged periods of severe market illiquidity. A 99.5% confidence level does not reflect losses that may occur beyond this level. 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 statistic behavior of the relevant markets and finally determining the possible range of the future outcomes on the basis of this statistic behavior may not always cover all possible scenarios, especially those of an exceptional nature.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities when they become due, at reasonable costs and in a timely manner. The Company participates as issuer in a €15.0 billion Programme for the issuance of Debt Instruments (DIP) and in a US\$9.0 billion global commercial paper program, both established by Siemens AG. Siemens AG unconditionally and irrevocably guarantees all debt securities of the Company.

The tables below summarize the maturity profile of the Company's financial assets and liabilities, including derivative financial instruments as of September 30, 2019 and 2018 respectively, based on undiscounted cash flows for the respective upcoming fiscal years. The amounts include interest.

September 30, 2019 (in millions of €)	Receivables from Affiliated Companies^{1) 2)}	Liabilities to Affiliated Companies	Notes & bonds	Bank loans	Interest Rate Swaps
Maturing during:					
2019 – 2020	5,447.9	(9.6)	(4,949.1)	(469.1)	(80.1)
2020 – 2021	4,286.0	-	(4,310.3)	(6.8)	(64.3)
2021 – 2022	3,879.3	-	(3,912.4)	(6.8)	(64.3)
2022 – 2023	2,211.1	-	(2,242.2)	(6.8)	(64.3)
2023 – 2024	3,117.3	-	(2,688.2)	(464.3)	(64.3)
Thereafter	22,720.1	-	(22,758.2)	-	(69.3)
Total	41,661.7	(9.6)	(40,860.4)	(953.8)	(406.6)

¹⁾ The amounts of Receivables from Affiliated Companies exclude the allowance for expected credit losses in total amount of €3.0 million (2018: €0.0 million).

²⁾ Due to the business strategy of the Company no further split for financial liabilities shorter than one year, is made.

Siemens Financieringsmaatschappij N.V.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018 <small>(in millions of €)</small>	Receivables from Affiliated Companies	Liabilities to Affiliated Companies	Notes & bonds	Bank loans	Interest Rate Swaps
Maturing during:					
2018 – 2019	5,108.1	(11.3)	(4,065.9)	(14.1)	74.5
2019 – 2020	4,368.7	-	(4,522.7)	(870.7)	72.8
2020 – 2021	3,129.7	-	(3,160.2)	-	57.6
2021 – 2022	3,613.6	-	(3,650.3)	-	57.6
2022 – 2023	2,100.5	-	(2,137.8)	-	57.6
Thereafter	18,616.2	-	(18,684.2)	-	108.9
Total	36,936.8	(11.3)	(36,221.1)	(884.8)	429.0

Credit risk

The Company is exposed to credit risk in connection with its significant size of loans granted to Affiliated Companies, which are located in the Netherlands, Germany and the United States, and its derivative instruments. Credit risk is defined as an unexpected loss in financial instruments if the contractual partner is failing to discharge its obligations when due. Valuation and collectability of these receivables and instruments depend upon the financial position and creditworthiness of the companies involved and of Siemens AG as a whole. Receivables from Affiliated Companies are covered by a Limited Capital at Risk Agreement between Siemens AG and the Company mitigating the credit losses of those receivables to a maximum of €2 million.

The effective monitoring and controlling of credit risk is a core competency of Siemens AG's risk management system. Siemens AG has implemented a credit policy. Hence, credit evaluations and ratings are performed on all counterparties with an exposure or requiring credit beyond a centrally defined limit. Counterparty ratings, analyzed and defined by a designated Siemens AG department, and individual counterparty limits are based on generally accepted rating methodologies, the input from external rating agencies and Siemens AG's default experiences.

In addition, as of October 1, 2018, the Company recognizes an allowance for expected credit losses for Receivables from Affiliated Companies according to the General Approach of IFRS 9, which consists of 3-stage model differentiating between 12-months expected credit losses and lifetime expected credit losses. Due to the fact that the Company's Receivables from Affiliated Companies are covered by the Limited Capital at Risk Agreement and the expected credit losses are calculated against Siemens AG, no change in the credit risk occurred during the year 2019. All calculations for the allowance for expected credit losses were based on the 12-month ECL model.

19. Claims and litigations

As per and since reporting date, the Company is not involved in any litigation matters.

20. Segment information

The Company has only a single reportable segment. The Company provides funding to Affiliated Companies. The main partners are a US treasury company, a Dutch treasury company and Siemens AG.

21. Related parties

The Company is the main funding party of the Affiliated Companies and offers finance solutions mainly for general purposes of the borrower. No amount is paid by the Company or any of the Affiliated Companies other than in the line of business. The Company lends the proceeds of issuances of bonds, notes and loans from banks to related parties

Siemens Financieringsmaatschappij N.V.

NOTES TO THE FINANCIAL STATEMENTS

only and are executed on an “at arm’s length” basis (fixed plus a margin and LIBOR plus a margin). Receivables from Affiliated Companies are covered by a Limited Capital at Risk Agreement between Siemens AG and the Company mitigating the credit losses of those receivables to a maximum of €2 million.

The following table provides information about several positions between the Company and the related parties for the fiscal year ending September 30, 2019.

Cash equivalents <small>(in millions of €)</small>	September 30, 2019	September 30, 2018
Siemens AG	36.3	66.5

Receivables from Affiliated Companies <small>(in millions of €)</small>	September 30, 2019		September 30, 2018	
	Interest income	Loans	Interest income	Loans
Germany	53.5	3,884.7	4.5	-
The Netherlands	453.8	21,756.4	372.2	17,738.9
United States of America	317.2	7,855.9	389.5	11,237.5
Total	824.5	33,497.0	766.2	28,976.4

The receivable position with Affiliated Companies in Germany relates completely to positions with Siemens AG, the parent, amounting to €3,884.7 million (2018: €0.0 million) and the interest income of €53.5 million (2018: €4.5 million). From the interest income the interest constitutes €53.3 million (2018: €4.4 million) and the current account constitutes €0.2 million (2018: €0.1 million). The other positions relate to other related parties.

The total amount of Receivables from Affiliated Companies as of September 30, 2019 includes an allowance for expected credit losses in amount of €3.0 million (2018: €0.0 million).

Liabilities to Affiliated Companies <small>(in millions of €)</small>	September 30, 2019		September 30, 2018	
	Interest expense	Deposits	Interest expense	Deposits
Germany	(1.0)	-	(6.8)	-
The Netherlands	(3.7)	(9.5)	(11.2)	(11.3)
United States of America	(0.1)	-	-	-
Total	(4.8)	(9.5)	(18.0)	(11.3)

The liability position to Affiliated Companies in Germany relates completely to positions with Siemens AG, the parent. From the interest expense of €-1.0 million (2018: €-6.8 million) the interest constitutes €0.0 million (2018: €-1.6 million) and the current account constitutes €-1.0 million (2018: €-5.2 million). The other positions relate to other related parties.

Interest related income (expense) <small>(in millions of €)</small>	September 30, 2019	September 30, 2018
Siemens AG	(34.4)	8.1

Interest rate swaps with Affiliated Companies <small>(in millions of €)</small>	September 30, 2019		September 30, 2018	
	Net interest	Fair value	Net interest	Fair value
Siemens AG	30.7	127.5	88.5	97.4

Siemens Financieringsmaatschappij N.V.

NOTES TO THE FINANCIAL STATEMENTS

Currency swaps with Affiliated Companies				
(in millions of €)	September 30, 2019		September 30, 2018	
	Fair value changes	Fair value	Fair value changes	Fair value
Siemens AG	(0.2)	-	10.5	-

The Company did not enter into any transactions with members of the Management Board nor with members of the Supervisory Board.

22. Remuneration Management Board and Supervisory Board

In 2019, the remuneration of key management personnel in relation to activities performed in the entity amounted to €0.2 million (2018: €0.2 million). This remuneration consists of periodic remuneration, bonuses and other remuneration. The members of the Supervisory Board, received a remuneration of in total €20,000 (2018: €20,000) for account of the Company during the fiscal year.

23. Events after reporting date

Since the reporting date one non-adjusting event has taken place. Siemens Capital Company in the United States restructured some outstanding borrowings against the Company with a total value of USD 3,645.3 million. The transactions were terminated on the 1st, 2nd and 4th of October 2019, and new transactions equivalent in nominals and maturity were entered into against Siemens AG. Consequently, the impact of the restructuring is limited.

24. Proposal for appropriation of the result

Pursuant to article 22 of the Articles of Association, it is proposed to appropriate the results of the fiscal year 2019 as follows:

Distribution of dividends	€ 6,666,431.03
Adding to (extracting from) retained earnings	€ 0.00

The Hague, December 3, 2019

The Hague, December 3, 2019

Siemens Financieringsmaatschappij N.V.

The Supervisory Board

The Management Board

Dr. P. Rathgeb
Chairman

G.J.J. van der Lubbe
Managing Director

Dr. H. Bernhöft

K.E. Mitchell
Managing Director

B.G. Trompert

Other Information

Profit appropriation according to the Articles of Association

Article 22 of the articles of association reads as follows:

22.1. The company may make distributions to the shareholders and other persons entitled to the distributable profits, to the extent the equity of the company exceeds the paid-up and called-up part of the company's equity, plus the reserves which must be maintained under Dutch law.

22.2. Of the profits evidenced by the profit and loss accounts adopted by the General Meeting, the Supervisory Board may resolve to add an amount to the reserves of the company. The amount of the profits after such reservation shall be at the disposal of the General Meeting.

22.3 Payments of profit shall be made after confirmation of the annual accounts showing that such payment is permissible.

22.4. The company may make interim (profit-)distributions, to the extent that the provisions as set out in article 22.1 have been complied with as evidenced by an interim statement in conformity with Dutch law. The resolution of the General Meeting for interim (profit-)distributions is subject to the prior approval of the Supervisory Board. The company shall deposit the interim statement at the office of the trade register within eight days after the day on which the resolution to distribute is published.

22.5. There shall be no distribution of profits on shares or depositary receipts for shares held by the company in its own capital.

22.6. In calculating each distribution, the shares held by the company in its own capital, or depositary receipts thereof, shall be disregarded.

22.7. The right to receive a distribution shall expire five years from the day on which such a distribution became payable.

Siemens Financieringsmaatschappij N.V.

OTHER INFORMATION

Independent auditor's report

To: the Supervisory Board, the Management Board and the Shareholder of
Siemens Financieringsmaatschappij N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements for the year ended September 30, 2019 of Siemens Financieringsmaatschappij N.V. In our opinion the accompanying financial statements give a true and fair view of the financial position of Siemens Financieringsmaatschappij N.V. for the year ended September 30, 2019, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the Statements of Financial Position for the year ended September 30, 2019;
- the following statements for the year ended September 30, 2019: Statement of Comprehensive Income, Changes in Equity and Cash Flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of the company in accordance with the "EU Regulation on specific requirements regarding statutory audit of public-interest entities", the "Audit firms supervision act" (Wta), "Dutch Independence Standard regarding assurance engagements (ViO)" and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Dutch Code of Ethics (VGBA)".

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

Siemens Financieringsmaatschappij N.V.

OTHER INFORMATION

MATERIALITY

Based on our professional judgement we determined the performance materiality for the financial statements as a whole at EUR 170 million. The materiality is based on 0.5% of total assets. We use total assets given the company's main activity is issuing notes for the purpose of intra-group lending. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION AND EXISTENCE OF THE LOANS ISSUED

We consider the valuation and existence of the loans issued, as disclosed in note 10 to the financial statements for a total amount of EUR 33.6 billion, as a key audit matter. This is due to the size of the loan portfolio and given that an impairment may have a material effect on the income statement. Loans are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest method. The management Board did not identify any impairment triggers regarding the loans issued.

We have performed audit work addressing the valuation and existence of the loans issued to Siemens Group companies, through:

- reconciliation of the treasury management system with the general ledger;
- confirmation procedures with the counterparties of the loans;
- recalculating the amortized cost value based on the effective interest method;
- analysis of the financial situation of the group companies to which loans have been provided, also considering the guarantee provided by Siemens AG;
- assessing whether there were any impairments triggers; and
- audit of data input to calculate the fair value, including cash flows based on underlying contracts, credit spread and market interest.

Siemens Financieringsmaatschappij N.V.

OTHER INFORMATION

VALUATION OF FINANCIAL INSTRUMENTS AND USE OF HEDGE ACCOUNTING

The company holds significant positions in derivative financial instruments (interest rate swaps) and issued bonds. Hedge accounting is applied to the derivative financial instruments. The valuation of derivatives is performed by the Siemens AG shared service centers. The auditor of Siemens AG involves valuation specialists in the audit procedures regarding the valuation of derivatives and other financial instruments. We have gained comfort on the design and existence of the valuation procedures based on procedures performed by the Siemens AG auditor. At year-end we have audited the valuation by performing an independent valuation of the derivatives.

We have tested whether hedge documentation and hedge effectiveness testing meet the requirements of IFRS 9 and whether the hedge effectiveness test is mathematically correct. We have reconciled the outcome of the effectiveness testing for the derivative portfolio as a whole to the financial statements.

Furthermore, we assessed whether the disclosures in the financial statements in relation to the valuation of financial instruments and hedge accounting are compliant with the relevant reporting requirements.

USE OF SHARED SERVICE CENTERS OF SIEMENS AG

The company has partly outsourced cash management, valuation, treasury and IT processes to shared service centers of Siemens AG the parent of the company. Management is responsible for these processes as they relate to the financial statements of the company.

For the purpose of obtaining assurance regarding these processes and related accounts we made use of the procedures performed by the auditor of Siemens AG and we have performed our own audit procedures. We have instructed the auditor of Siemens AG and reviewed the procedures performed and the conclusions reached by the auditor of Siemens AG concerning to the assessment of the processes and related accounts.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the Management Board;
- Report of the Supervisory Board;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

Siemens Financieringsmaatschappij N.V.

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By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ENGAGEMENT

We were appointed as auditor of Siemens Financieringsmaatschappij N.V. as of the audit for the year ended September 30, 2019.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

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OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, 3 December 2019

MAZARS ACCOUNTANTS N.V.

Original has been signed by: C.A. Harteveld RA

