SIEMENS
Ingenuity for life

Annual Report 2019

Siemens Nederland N.V.

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Contents

Management Board Report

Our mission

We make what matters. We are leaders in the way we electrify, automate and digitize our world. We are inventive and build success together. Our claim "Ingenuity for life" - inventiveness for life - stands for our constant will and promise to create value for our customers, our employees and society. We fulfill this promise by combining our innovative power, domain knowledge and technological know-how in the field of electrification and automation, enriched and combined with digitization, and by acting as a reliable and responsible partner.

Organizational structure

Siemens Nederland N.V. ("the Company") is a wholly owned subsidiary of Siemens International Holding B.V., with its registered office in The Hague, and forms part of the fiscal entity managed by Siemens International Holding B.V. All parties in this fiscal entity share joint and several liability for all corporate income tax liabilities. Siemens International Holding B.V. is ultimately a wholly owned subsidiary of Siemens AG, with its head offices in Berlin and Munich. The Management Board consists of two members: Godert van der Poel (CFO) and the undersigned.

Strategic Choices

A number of strategic choices over the past years have had a profound impact on the footprint of Siemens in the Netherlands. Strategic choices made by Siemens headquarters over the last years have changed the nature of operations of Siemens in the Netherlands, moving towards a more digital company. And although the size of Siemens in the Netherlands in terms of employees and business volume is stable or even growing, the various businesses operate from separate legal entities, with separate business line governance and reporting. In this section of the Management Board report, we would like to outline the changes over the last years that have had the most impact on Siemens Nederland N.V.

Power and Gas, location Hengelo

In November 2017 Siemens AG decided to ramp down global production capacity in its' Power and Gas division. The market conditions of this division, the power generation sector and oil and gas sector, showed continued lower demand and lower price levels, forcing companies like Siemens to adjust to this new market reality. For Siemens Nederland N.V. the impact of this decision was the intended closure of the production site in Hengelo, which was communicated to the employees on 17 November 2017. In order to safeguard the jobs of the employees involved, Siemens engaged in a process to transfer the undertaking to a third party. After an intensive process of negotiations, the transfer of undertaking to VDL Group took place in November 2018, with the intention to safeguard 430 full time equivalent jobs.

Vision 2020 and Vision 2020+

With the implementation of Vision 2020 and subsequently Vision 2020+, Siemens AG is setting the course for long-term value creation through accelerated growth and stronger profitability with a simplified and leaner company structure. After the completion of the Vision 2020 program, Vision 2020+ was initiated to give the Siemens businesses more focus and bring them closer to their respective markets. Both programs resulted in changes in the governance and operational structure of the Siemens group, including the Siemens operations in the Netherlands. A number of divisions that were part of Siemens Nederland N.V., are currently separate legal entities, under direct governance of their respective headquarters.

- In 2017 Siemens Wind Power and Gamesa concluded the merger of their wind power businesses. Siemens Gamesa Renewable Energy (SGRE) trades on the Spanish stock market. To date Siemens AG owns a stake of 59 percent. In the Netherlands, Siemens Gamesa Renewable Energy B.V. now operates as a separate legal entity with operational governance from its headquarter in Spain.
- In 2018 Siemens Healthineers AG has been created as a separate entity, followed by a partial IPO. To date Siemens AG remains a major shareholder with a stake of 85 percent. In the Netherlands, Healthcare activities have been

bundled in Siemens Healthcare Nederland B.V., which operates as a separate legal entity under operational governance of its' Healthineers headquarters in Germany.

- In 2017 Siemens and Alstom announced the intended merger of their respective mobility businesses. In preparation of this merger Siemens Mobility GmbH has been created as fully owned, but separately managed Siemens company. The proposed merger between Siemens and Alstom has been prohibited by the European Commission. In the Netherlands, Siemens Mobility B.V. now operates as a separate legal entity with direct operational governance of its' respective Mobility headquarters in Germany.

Acquisitions with operations in the Netherlands

Siemens AG or one of its' affiliates acquired two businesses with operations in the Netherlands. In September 2017, Siemens AG acquired TASS International, based in the Netherlands with approximately 200 employees, adding automated driving solutions to the portfolio. Siemens has acquired 100 percent of the share capital of TASS International and integrated the business into its Siemens Digital Industries Software unit, which is part of its' operating company Digital Industries. TASS International operates as a separate legal entity in the Netherlands, under direct operational governance of Siemens Digital Industries Software headquarters, based in the United States.

In October 2018 Siemens acquired the low code platform Mendix group, with operations predominately in the United States and the Netherlands, with approximately 600 employees at the time of acquisition. The acquired business will be part of Siemens Digital Industries Software unit. Mendix operates as a separate legal entity in the Netherlands, under direct operational governance of Siemens Digital Industries Software headquarters, based in the United States.

A new entity: Siemens Energy

As part of the Vision 2020+ program Siemens AG decided to increase market focus over synergies, by creating three operating companies, Digital Industries, Smart Infrastructure and Gas and Power. Siemens AG decided to further increase market focus through a spin-off of its' Gas and Power business, which will be named 'Siemens Energy', as announced in October 2019. For Siemens Nederland N.V., this carve out is scheduled to become effective in Q2 fiscal year 2020. Siemens Nederland N.V. will transfer the Gas and Power business to the legal entity Siemens Heat Transfer Technology B.V., located in Zoeterwoude. Siemens Energy globally is planned to be listed publicly before the end of fiscal year 2020. Siemens Nederland N.V. will solely focus on Digital Industries and Smart Infrastructure as its operational core elements from then on.

Portfolio of activities

Digital Industries

The advancing digitalization, in tandem with the increasing flexibilization of production processes, provides new opportunities and choices for industrial companies across the globe. Digital Industries (DI) supports our customers in unlocking the full potential: as a partner providing cutting-edge technologies for the automation and digitalization of the discrete and process industries.

The Digital Enterprise portfolio is at the core of our offer. It provides companies of all sizes with the right products, along with consistent solutions and services for the integration and digitalization of the entire value chain. As an innovation leader, we think ahead to the next level of digital transformation – and integrate cutting-edge technologies such as artificial intelligence, edge computing, industrial 5G, autonomous handling systems, blockchain and additive manufacturing into our portfolio.

Smart Infrastructure

Smart Infrastructure (SI) brings together energy systems – from the intelligent control across the grid to medium-voltage distribution system, through a broad range of low-voltage and control products, to the point of consumption – with Siemens' broad portfolio of building technologies. We support utilities, building customers and industries with a wide range of applications.

At the point of connection between the grid and the buildings – at the grid edge – there are exciting nascent markets including presumption, electric vehicle infrastructure, energy storage and microgrids. We will combine physical solutions and digitalization across the focus areas of electrification and automation.

Gas & Power

Gas and Power (GP) is a global pacesetter in energy, helping customers to meet the evolving demands of industries and societies. The energy industry is challenged to shift towards a carbon neutral future, manage the complexity of decentralized energy and adopt new digital technologies to maintain the competitiveness of its assets.
As the leading innovator for the energy systems of today and tomorrow, Gas and Power comprises broad competencies across the entire energy value chain and offers a uniquely comprehensive portfolio for utilities, independent power producers, transmission system operators and the oil and gas industry.

Financial information and developments

From continuing operations (Digital Industries and Smart Infrastructure, excluding Gas and Power – discontinued operations) Siemens Nederland closed the year with sales of EUR 449.7 million (2018: EUR 399.9 million), which represents an increase of 12.4% compared to last year. The largest contribution to this growth came from our Smart Infrastructure business (SI), but also our DI business slightly grew compared to last year. Net profit from continuing operations remained largely stable at EUR 24.8 million (2018: EUR 24.7 million). Discontinued operations relate to the GP business, which – as mentioned above - will be carved out in fiscal year 2020. Sales in GP decreased by EUR 159.8 million compared to last year, which is primarily due to the sale of Hengelo operations to VDL in Q1. Net loss of GP amounts to EUR 21.1 million in fiscal year 2019, which includes the loss from the transfer of Hengelo activities to VDL. In total, combining continuing and discontinued operations, net profit of Siemens Nederland N.V. amounted to EUR 3.7 million in fiscal year 2019.

Net working capital increased by EUR 28.8 million compared to prior year, which is the main driver for the negative cash flow from operations of EUR 29.1 million. However, we consider the underlying effects, which mainly result from exceptional payment conditions for one large global customer to be of a one off-nature and therefore cash flow to recover in future periods. The solvency ratio, defined as equity divided by total assets, at 30 September 2019 is still very strong at 42.3%. Receivables against Siemens Treasury companies at 30 September 2019 amounted to EUR 156.3 million compared to EUR 604.8 million in prior year, with the decrease primarily relating to the dividend distribution to our shareholder of EUR 401.5 million. No major changes in the funding structure of the firm are expected next year.

Future perspective

We want to add value through faster growth and greater profitability with a simpler and streamlined business structure. The main objective of the Vision 2020+ business strategy is to grant considerably more enterprise freedom for the various Siemens business activities under the flag of the strong Siemens brand, in order to focus on the different markets. The plans also include strengthening the business offer with growth potential through targeted investments in new growth areas such as IoT integration services, decentralized energy management and infrastructure solutions for electric mobility. The concentrated expansion of industrial digitization, in which Siemens is already the world leader, will contribute even more. As a result, we expect revenues for industrial activities to grow by approximately two percent next year and operating profit margin to remain largely stable at around 7.5%.

Sustainability and transparency

Siemens technology is helping our customers improve their energy efficiency. Thanks to Siemens' green portfolio they have achieved a reduction of 609 million metric tons until fiscal year 2018 (570 until 2017), since the beginning of fiscal 2002, in their CO_2 emissions worldwide. In addition, the Siemens Group is also continuously reducing its own CO_2 footprint.
Siemens Group wants to be the first major industrial company in the world with a neutral CO_2 footprint by 2030. Siemens Nederland N.V. is participating in this program.

Diversity

The Supervisory Board of Siemens Nederland N.V. is staffed with members with different nationalities and different working experiences as well as different ages. The gender balance of the Supervisory Board is fifty-fifty. The Management Board consists of two male members, but the total number of women in management positions amounts to 13.9% (13.8% in 2018). In preparing recommendations on the appointment of members of the Management Board or members of the Supervisory Board, the shareholder and the Supervisory Board take 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.
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. The Management Board and the Supervisory Board of the Company seek to increase the percentage of women in management positions, by actively participating in the respective group wide Initiatives and programs.

Risk management

Siemens is subject to several risks in its daily activities, which risks are classified as strategic, operational, financial or compliance risks. Good risk management is crucial to control these risks, since it allows Siemens to identify potential problems before they occur so that risk-handling activities may be performed as needed to mitigate adverse impacts on achieving objectives. On a regular basis, based on a systematic approach, management reviews and classifies risks in terms of likeliness and impact.

Risk appetite:

Strategic:	Moderate	Siemens group is prepared to take moderate risks to realize its ambitions in the Dutch market.
Operational:	Very low	Siemens Nederland has a very low appetite to risks such as Reputation, Customer, HSE, Business Continuity or Information Security. Due to the very nature of part of its business it may have higher project management risks for some of its projects (such as new technology or complexity).
Financial:	Very low	Siemens Nederland is in a strong financial position in terms of both solvency and solvability and is also able to get additional funds from its mother Siemens AG.
Compliance:	None	Siemens Nederland requires full compliance with all applicable laws and regulations.

Identified risks

During 2019 no risks occurred which required changes in the risk management process. Based on the latest risk review as of 30 September 2019 the risks with the highest level of exposure in the different categories were:

Risk area	Risk	Measures to mitigate risk
Strategic	Competitive environment	The markets for our products, solutions and services are highly competitive and we face strong competitors in several markets, which may result in a change in our relative market position, or unexpected price erosion. We address these risks with various measures, for example benchmarking, strategic initiatives, sales push initiatives, executing productivity measures and target cost projects, rightsizing of our footprint, outsourcings and optimizing our product portfolio. We continuously monitor and analyze competitive and market information in order to be able to anticipate unfavorable changes in the competitive environment rather than merely reacting to such changes.

	Disruptive technologies	The markets in which our businesses operate experience rapid and significant changes due to the introduction of innovative and disruptive technologies. In the fields of digitalization there are risks of new competitors, substitutions of existing products / solutions / services, niche players, new business models and finally the risk that our competitors may have faster time-to-market strategies and introduce their products and solutions faster than Siemens. Our operating results depend to a significant extent on our technological leadership, our ability to anticipate and adapt to changes in our markets and to reduce the costs of producing our products. The Siemens Group constantly applies for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing or selling products and services that are similar to or duplicates of ours.
Operational:	Personnel fit for future business demands	Future business models require highly skilled personnel with (technical) expertise and capabilities to support profitable growth in areas of cross-sector coupling, digitalization and energy transition. Bringing the Siemens organization and employee competencies in line with future demands (e.g. in terms of new commercial models, cross-industry collaboration and agility) is challenging and might result in resource shortages in mid-/long-term which may result in lack of profitable growth. The Company tackles these challenges by focusing on these skills in local recruitment-, retention- and development-programs and by coordinating with respective group verticals to ensure that NL-based activities are aligned with central/global strategies.
	Cyber security	Due to, amongst others, digitalization, availability of data, virtual working and interconnectivity, sensitive information is shared and processed more widely and becomes increasingly vulnerable for (sophisticated) cyber security threats. This may result in unwanted disclosure of (competitive) confidential information, manipulation of and/or unavailability of data and IT related (customer) services. As a countermeasure, a local cyber security action plan has been established and is currently being implemented under close supervision of local senior management.
	Project management	Professional project management is very important to Siemens, because a substantial proportion of its revenue is generated through projects. Customers also expect that the projects are managed in an excellent, innovative, and responsible manner. To meet this expectation, Siemens has implemented a globally harmonized system: PM@Siemens. This is a collective name given to a range of activities aimed at improving project management within Siemens. Examples include process improvements, assessments, and training. The focus of PM@Siemens is on the use of best practices. The aim is to harmonize the standards for good project management and sponsor them within the organization.
Compliance:	Changes of laws, Codes and Standards	If not dealt with or implemented adequately can lead to non-conformances (fines, limitations, legal cases, negative exposure) Siemens has assigned local governance owners, which review changes of laws, legislation, Codes and standards. In addition, it makes use of databases and experts to support implementation.
	Anti-corruption, adherence to law	Siemens promotes integrity and acting in accordance with our values and allows zero tolerance for corruption and violations of principles of fair competition. The Siemens compliance system is divided into 3 action levels: Prevent, Detect and Respond. These action levels encompass a comprehensive system of activities by which Siemens intends to ensure business in full accordance with applicable laws and regulations as well as Siemens' internal principles and rules.
Financial:	Foreign exchange	Siemens is exposed to currency risks as a result of sales and purchases in currencies other than the functional currency. The risk on virtually all sales and purchases denominated in foreign currency is hedged in full through forward exchange contracts.

The Hague, 13 December 2019

Siemens Nederland N.V.

Chairman of the Management Board

H.J. Winters

Company statement of financial position

Statement of financial position as of 30 September (EUR million) before profit appropriation

	Note	2019	2018
Non-current assets			
Intangible assets	6	1.8	9.5
Property, plant and equipment	7	5.4	6.7
Non-current financial assets			
Non-current receivables	8	6.0	6.5
Non-current contract assets	9	7.7	29.2
Total non-current assets		**20.9**	**51.9**
Current assets			
Inventories	10	2.2	3.9
Contract assets	9	18.8	60.0
Receivables			
Trade and other receivables	11	171.5	714.8
Other financial assets	12	3.6	4.4
Tax receivable	17	5.9	-
Prepayments	13	16.1	98.8
Cash and cash equivalents	14	0.3	1.1
Total current assets		**218.4**	**883.0**
Assets held for sale	15	**226.8**	**-**
Total assets		**466.1**	**934.9**
Equity	16		
Issued capital		36.3	36.3
Share premium		150.9	150.9
Retained earnings		6.3	6.3
Profit for the year		3.7	401.5
Total equity		**197.2**	**595.0**
Non-current liabilities			
Deferred tax liabilities	17	2.7	2.8
Other financial obligations	18	1.2	3.1
Non-current contract liabilities	9	6.6	55.0
Provisions	19	5.4	13.4
Total non-current liabilities		**15.9**	**74.3**
Current liabilities			
Provisions	19	10.3	21.3
Trade and other payables	20	82.8	106.9
Contract liabilities	9	14.8	134.6
Tax liabilities	17	-	2.8
Total current liabilities		**107.9**	**265.6**
Liabilities directly related with assets held for sale		**145.1**	**-**
Total liabilities		**268.9**	**339.9**
Total equity and liabilities		**466.1**	**934.9**

The notes are an integral part of these company financial statements.

Company income statement

Fiscal year from 1 October through 30 September (EUR million)

	Note	2019	2018*
			Restated
Continuing operations			
Revenue	23	449.7	399.9
Total operating income		**449.7**	**399.9**
Cost of sales		358.7	312.0
Gross profit		**91.0**	**87.9**
Selling expenses		53.7	53.9
General and administrative expenses		2.6	3.6
Other operating income		-0.1	-4.1
Total operating expenses		**56.2**	**53.4**
Operating profit		**34.8**	**34.5**
Finance income	24	**-**	**0.0**
Finance costs	24	**-1.6**	**-2.7**
Profit from continuing operations, before tax		**33.2**	**31.8**
Tax on profit from continuing operations	25	-8.4	-7.1
Profit from continuing operations, after tax		**24.8**	**24.7**
Discontinued operations			
Profit from discontinued operations, after tax	15	-21.1	376.8
Profit after tax		**3.7**	**401.5**

The profit after tax is attributable in full to Siemens International Holding B.V., the sole shareholder of Siemens Nederland N.V.

The notes are an integral part of these company financial statements.

*Due to the intended sale of its Gas and Power business, prior year figures of the Gas and Power business have been restated to discontinued operations.

Company statement of comprehensive income

Fiscal year from 1 October through 30 September (EUR million)

	Note	2019	2018
Profit for the year, net of tax		**3.7**	**401.5**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement on cash flow hedges		-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**-**	**-**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined benefit plans	19	0.0	-0.1
Income tax effect	19	-0.0	0.0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**0.0**	**-0.1**
Other comprehensive income for the year, net of tax		**0.0**	**-0.1**
Total comprehensive income for the year, net of tax		**3.7**	**401.4**

(Attributable in full to the shareholder of Siemens Nederland N.V.)

The notes are an integral part of these company financial statements.

Statement of changes in equity

	Issued capital	Share premium	Retained earnings	Profit for the year	Total
At 30 September, 2017	**36.3**	**150.9**	**6.4**	**193.4**	**387.0**
Profit after tax	-	-	-	401.5	401.5
Other comprehensive income	-	-	-0.1	-	-0.1
Total comprehensive income	-	-	-0.1	401.5	401.4
Dividends	-	-	-	-193.4	-193.4
At 30 September 2018	**36.3**	**150.9**	**6.3**	**401.5**	**595.0**
Profit after tax	-	-	-	3.7	3.7
Other comprehensive income	-	-	0.0	-	0.0
Total comprehensive income	-	-	0.0	3.7	3.7
Dividends	-	-	-	-401.5	-401.5
At 30 September 2019	**36.3**	**150.9**	**6.3**	**3.7**	**197.2**

Company statement of cash flows

Fiscal year from 1 October through 30 September (EUR million)

	2019	2018
Operating profit before tax from continuing operations	34.8	34.5
Operating profit before tax from discontinued operations	-27.7	389.4
Operating profit before tax	**7.1**	**423.9**
Adjustments to reconcile operating profit to net cash flow:		
Depreciation, amortization, and impairment losses	1.4	13.8
Change in provisions	-19.0	-22.9
Working capital adjustments:		
Change in receivables	187.7	63.6
Change in inventories	1.7	0.5
Change in trade and other payables	-190.3	-115.1
Interest received	-	0.0
Interest paid	-2.0	-3.3
Tax payments (income taxes)	-6.0	-20.5
Net cash flows from operating activities	**-19.4**	**340.0**
Disposal of investments, net of cash	-	44.5
Payments for property, plant, and equipment	-0.3	-0.9
Proceeds from sale of property, plant, and equipment	0.0	-
Net cash flows from/used in investing activities	**-0.3**	**43.6**
Change in financing receivables	494.2	-191.2
Dividends paid	-401.5	-193.4
Net cash flows used in financing activities	**92.7**	**-384.6**
Net cash flows from discontinued operations	**-73.8**	**-**
Change in cash and cash equivalents		
Cash and cash equivalents at 1 October	1.1	2.1
Cash and cash equivalents at 30 September	0.3	1.1
	-0.8	**-1.0**

The notes are an integral part of these company financial statements.

Notes to the company statement of financial position and the company income statement

General disclosures

The financial statements of Siemens Nederland N.V. (hereafter “the Company”), having its legal seat in The Hague, the Netherlands, as of 30 September 2019 were adopted by its General Meeting on 13 December 2019 and will be filed with The Chamber of Commerce, The Hague under registration number 27015771.

Siemens Nederland N.V. focused its activities in fiscal year 2019 on three Operational Companies namely Gas and Power (GP), Digital Industries (DI) and Smart Infrastructure (SI). The portfolio includes products, systems, installations and services. Siemens Nederland N.V. has more than 900 employees. It forms part of a tax group led by its parent company, Siemens International Holding B.V. All members of this group are jointly and severally liable for the taxes payable by the tax group.

Unless stated otherwise, all amounts are in millions of euros.

Accounting policies

(1) Basis of preparation

(1.1) Declaration of conformity

The company financial statements of Siemens Nederland N.V. have been prepared in accordance with the International Financial Reporting Standards as adopted in the European Union as of 30 September 2019 (IFRS) applicable to fiscal year ended as of 30 September 2019.

(1.2) Measurement basis

Unless stated otherwise, the company financial statements have been prepared on the basis of historical cost, with the exception that derivative financial instruments are measured at fair value and any changes in value are recognized in the income statement; the methods for determining fair value are explained in more detail in note 4.
The financial statements are presented in euros, the Company's functional currency.

(1.3) Changes to accounting policies

Newly applied standards

The Company has applied all relevant IFRS standards and IFRIC interpretations in effect and adopted by the European Union as of 30 September 2019 and applicable to fiscal years ended on 30 September 2019.

IFRS 9 Financial Instruments
This standard is effective for fiscal years beginning on or after 1 January 2018. This involves, that for the calculation of impairment allowances the Incurred Loss Approach of IAS 39 is replaced by the Expected Credit Loss Approach of IFRS 9. This standard specifies how an entity should classify and measure financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 requires an entity to recognize a financial asset or a financial liability in its statement of financial position in a category reflecting the measurement, which is based on the contractual cash flow characteristics and the entity’s business model for management of the financial asset, see note 3.5 and note 5.1.

The Company adopted IFRS 9 as of 1 October 2018 and will not adjust comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions. The adoption of IFRS 9 does not have a material impact on the Company financial statements and is explained below: Prior to the adoption of IFRS 9, financial instruments were accounted for in accordance with IAS 39. Pursuant to this latter reporting standard the Company's financial assets were classified as Loans and 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 measurement of financial assets as under the new accounting standard the financial assets are generally classified at amortized cost, except for some derivative instruments (€0'6 as per 30 September 2019, €0'7 as per 30 September 2018), which are classified as 'FV through P&L' . There have also been no changes in the measurement of the Company's financial liabilities as a result of the adoption of IFRS 9. Financial liabilities generally are accounted for at amortized cost except for some derivative instruments (€0'4 as per 30 September 2019, €0'7 as per 30 September 2018), which are classified as 'FV through P&L'.

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, however after calculating the allowance in accordance with IFRS 9, it was concluded to be not material.

Derivative financial instruments were categorized as held for trading under IAS 39, after the adoption of IFRS 9 at fair value through profit and loss. The company did not apply hedge accounting in fiscal years 2018 and 2019.

Standards issued but not yet effective

IFRS 16 Leases

This standard replaces IAS 17 and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Company will adopt the standard for the fiscal year beginning as of 1 October 2019, by applying the modified retrospective approach, i. e. comparative figures for the preceding year will not be adjusted.

The key change arising from IFRS 16 is that most operating leases will be accounted for on-balance sheet as Right-of-Use asset and a lease liability based on discounted future lease payments. The asset will be depreciated over its useful economic life. The lease liability will be reduced by the lease payments, which will be apportioned between capital repayment and finance expense . This results in a deterioration in cash flows from financing activities and an improvement in cash flows from operating activities. Under the modified retrospective transition approach, IFRS 16 permits a choice on initial adoption, on a lease-by-lease basis, to measure the Right-of-Use asset at either the carrying amount had IFRS 16 been adopted since the commencement of the lease or at the amount equal to the lease liability adjusted for accrued and prepaid amounts. The company has elected the latter approach for most of the leases.
Whilst Siemens has recognized lease liabilities and corresponding right of use assets already on group level, the company is still analyzing the effect on the separate financial statements of Siemens Nederland N.V., especially with regards to various sub lease arrangements with other group companies. Therefore, the company is currently not in a position to assess the possible impact on the entity's financial statements in fiscal year 2020.

(2) Significant judgments, estimates, and assumptions used in this report

Operating lease liabilities – the Company as lessor

The Company leases out various building security installations. The Company has determined that it has retained all significant risks and rewards incidental to ownership of these assets and therefore accounts for them as operating leases.

Significant accounting judgements, estimates and assumptions

The most important assumptions about the future and other significant sources of uncertainty associated with estimates as of the reporting date, which entail a major risk of substantial adjustment to the carrying amounts of assets and liabilities in the next fiscal year, are presented below.

Impairment of goodwill

At least once a year, the Company tests goodwill for impairment. This involves estimating the value in use of the cash generating units to which the goodwill has been allocated. To estimate value in use, management must estimate the expected future cash flows of the cash generating unit and determine an adequate discount rate for calculating the present value of these cash flows. The goodwill carrying amount as of 30 September 2019 was EUR 1.8 million (30 September 2018: EUR 9.5 million). See note 6 for further information.

Pension and other post-employment benefit plans

The costs of post-employment defined benefit plans are determined based on actuarial methods. The actuarial methods comprise assumptions made about discount rates, expected returns on plan assets, future salary increases, mortality rates, and the future indexation of pension payments. Because of the long-term nature of these plans, such estimates are subject to significant uncertainty. The estimate at the beginning of the fiscal year determines the net periodic cost of the fiscal year. At the end of the fiscal year, the amount of the pension provision is recalculated based on actual figures for the year ended and adjusted actuarial assumptions about the future. After this recalculation, differences in the net obligation as a result of adjustments to assumptions and/or variations in estimates are added to pension provisions and the corresponding expense or income recognized directly in equity (actuarial gains or losses). The defined benefit arrangement only relates to an executive management plan without active participants, since it was discontinued in the prior fiscal year. See note 19 for further information.

Revenue recognition for projects

A significant portion of the company's revenue is generated in long-term projects. Revenue is recognized in line with the stage of completion of the project in process. For each project, the total revenue to be generated is determined, based on contract value. In addition, the total costs to be incurred to complete the project are estimated. During the project, project revenue is recognized based on the ratio of costs incurred to total expected costs. In doing so, only progress-relevant costs are taken into consideration. Revenue is not recognized for costs that are temporarily not progress-relevant, but these costs are presented as prepayments in the statement of financial position. Costs that are permanently not progress-relevant are directly charged to the income statement without recognizing revenue. The estimation element of the cost-to-cost variant of the percentage of completion method requires estimates and continual updates of the total expected costs.

Contingent liabilities

As part of the transfer of undertaking of the Hengelo location to VDL, the Company entered into a supply agreement for a period of three years, beginning 16 November 2019, which also involves a load commitment. In case agreed volumes are not met, the Company would need to pay a compensation to VDL. Management has assessed the likelihood of such scenario based on order intake in fiscal year 2019 and concluded that as of the balance sheet date, there are no indications that the committed volumes would not be met. The load commitment will also be transferred to Siemens Heat Transfer Technology B.V. as part of the GP carve out in fiscal year 2020.

(3) Accounting policies

(3.1) Goodwill

Goodwill, which arises during the acquisition of equity interests and/or independent business units, is the amount by which the cost of the business combination exceeds the acquirer's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities.

Goodwill is measured at cost less any accumulated impairment losses.
Goodwill is not amortized but tested annually for impairment. This is done more often if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment loss to be recognized is determined based on an assessment of the net realizable value of the cash generating unit to which the goodwill has been allocated. If the net realizable value of the cash generating unit is lower than it’s carrying amount, an impairment loss is recognized.

(3.2) Other non-current intangible assets

Non-current intangible assets include, among other things, the direct costs of designing, building, testing, setting up, and customizing an enterprise resource planning (ERP) system for internal use and for use by other corporate units. These direct costs are amortized over the expected useful life of 3 years.

(3.3) Property, plant, and equipment

Property, plant, and equipment is initially recognized at cost. Property, plant, and equipment is depreciated using the straight-line method over the estimated useful lives of the assets; a residual value of zero is assumed (except for land). Depreciation of investments made in the current period commences on the date the asset is used for the first time.

Machinery and installations are depreciated applying the component approach, under which the depreciation period is differentiated according to the nature of the asset. Land is not depreciated.

The annual straight-line depreciation charges, expressed as a percentage of cost, are as follows:

	%
Land and buildings	0 to 2.5
Machinery and installations	10 to 25
Office equipment and Noncurrent operating assets	20 to 33

In the case of major investment projects, financing costs incurred during construction are recognized as part of the cost of the item of property, plant, and equipment concerned.

Capitalized leased assets are depreciated over the shorter of estimated useful life or lease term of the asset, if there is no reasonable assurance that Siemens will take ownership at the end of the lease term.
Assets held for sale are measured at the lower of their carrying amounts or fair value less costs to sell.

(3.4) Impairment of other non-current intangible assets and property, plant, and equipment

The carrying amounts of other non-current intangible assets and property, plant, and equipment are tested for impairment if there have been changes or circumstances that suggest that the carrying amount of the asset may not be recovered. The recoverability of assets in use is determined by comparing their carrying amounts with the present value of the future net cash flows the assets are expected to generate. If the carrying amount of an asset is higher than the estimated future cash flows or the direct realizable value less costs to sell, an additional write-down is recognized and charged to the income statement for the difference between the carrying amount and the net realizable value of the asset. Assets available for sale are measured at the lower of carrying amount or market value less costs to sell.

(3.5) Financial instruments

Non-current financial assets
Receivables arising from financial leases are measured at the present value of the lease installments still to be received. Other non-current receivables as well as receivables arising from the equity investments are measured at amortized cost less any allowances deemed necessary for receivables that may be uncollectable.

Financial assets are classified according to IFRS 9, at initial recognition, as measured at amortized cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortized costs, the assessment is performed at an instrument level. The contractual terms of the financial asset give rise on specified dates to the Company's cash flows that are solely payment of the principal amount and interest of the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial asset in order to generate cash flows. The Company held the financial asset in order to collect contractual cash flows.

Financial assets are subject to impairment. Gains and losses are recognized in profit and loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes receivables from affiliate companies.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Receivables
Receivables are initially recognized at fair value (including transaction costs) and subsequently at amortized cost less any allowances deemed necessary for receivables that may be uncollectable. Receivables include liquid assets that are placed in interest-bearing investments within the Siemens Group as part of cash pooling.

Prepayments
Prepayments are initially recognized at fair value (including transaction costs) and subsequently at amortized cost less any allowances deemed necessary for receivables that may be uncollectable.

Non-current liabilities
Non-current liabilities are initially recognized at fair value (including transaction costs) and subsequently measured at amortized cost. Share premiums, discounts, redemption premiums, and transaction costs are allocated to the respective periods as interest expenses using the effective interest method.

Other assets and liabilities
Other assets and liabilities (if they are financial instruments) are initially recognized at fair value (including transaction costs) and subsequently measured at amortized cost, with the carrying amount of other assets adjusted where necessary.

Non-derivative financial instruments
Non-derivative financial instruments include trade receivables, non-current receivables and other receivables, cash and cash equivalents, borrowings and other financing liabilities, trade payables, and other items payable. Cash and cash equivalents include cash and bank balances as well as other directly callable deposits. Non-derivative financial instruments are initially recognized at fair value (including transaction costs) and subsequently measured at amortized cost using the effective interest method, reduced by impairment losses.

Derivative financial instruments and hedging activities
Siemens Nederland N.V. uses derivative financial instruments, such as forward currency contracts are used, to hedge foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss. The Company applies hedge accounting, using the cash flow hedging method. When entering into a cash flow hedge, the hedging relationship is designated and documented, as are the purpose and financial risk management strategy pursued in entering into the hedging transaction. The documentation provides information about the hedging instrument, the hedged item or transaction, the type of risk to be hedged, and how the Company will assess the effectiveness of the hedging instrument in offsetting the risk of changes in the fair value of the hedged item or in the cash flows attributed to the hedged risk. These types of hedges are expected to be highly effective in offsetting the changes in fair value or cash flows attributable to the hedged risk; they are continually assessed to determine whether the hedge was substantially highly effective during the reporting periods for which the hedge was intended. Under cash flow hedging any change in fair value of the effective portion of the hedged item is recognized as an asset or liability and the corresponding gain or loss is recognized in other comprehensive income.

(3.6) Inventories

Inventories of merchandise and semi-finished goods are measured at the lower of average cost or market value. Allowances necessary as a result of obsolescence are recognized.

(3.7) Contract assets and liabilities

When either party to contracts with customers has performed, the company presents a contract asset, a contract liability or a receivable depending on the relationship between Siemens' performance and the customer's payment. Contract assets and liabilities are presented net as current since incurred in the operating cycle. Receivables are recognized when the right to consideration becomes unconditional. Valuation allowances for credit risks are setup for contract assets and receivables according to the accounting policy for loans and receivables.

(3.8) Cash and cash equivalents

Cash and cash equivalents are measured at nominal values. Cash and cash equivalents include all credit balances with banks, excluding affiliated companies, and short-term, highly liquid investments with an original maturity of three months or less, which can be directly converted into cash and cash equivalents.

(3.9) Provisions

General
Provisions are recognized, if:
(a) there is a legal or constructive obligation because of a past event;

(b) it is probable that an outflow of resources will be required to settle the obligation; and

(c) the amount of the obligation can be reliably estimated.

If the Company expects to receive compensation for the provision in full or in part, for example because of an insurance policy, the compensation is recognized as a separate asset, providing it is virtually certain that the compensation will be received. The expense incurred in connection with the provision is recognized in the income statement, less any compensation. If the effect of the time value of money is material, the provisions are discounted to present value by applying a discount rate before tax, which, where applicable, considers the specific risks associated with the obligation. If the provision is discounted, the increase in the provision with the passage of time is charged to financing costs.

Warranty provisions

Warranty provisions relate to warranties issued on products, systems, and projects sold. They are measured at the present value of the expected settlement costs. These settlement costs are estimated based on costs the Company has incurred in the past for the sale of comparable products and/or based on technical assessments. The majority of warranty obligations have duration of one to two years.

Onerous contracts

A provision for onerous contracts is recognized in the statement of financial position, if the benefits expected to be generated for the Company from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the costs expected to terminate the contract or, if lower, the present value of the net costs expected to continue to perform the contract. Before recognizing a provision, the Company recognizes any impairment write-downs on the assets related to the contract.

(3.10) Pensions

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions. Obligations in connection with contributions to defined contribution plans are recognized as personnel expenses in the income statement when the amounts fall due. Amounts paid in advance are recognized as assets, providing they can be repaid in cash or offset against future payments.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The net obligation of the Company arising from defined benefit plans is calculated separately for each plan by estimating the pension benefits the employees have accrued in exchange for their services in the reporting period and in prior periods. These pension benefits are discounted to determine present value. Any unrecognized past service costs and the fair value of plan assets are deducted. The discount rate reflects the yields at the reporting date on prime-rated corporate bonds with maturities that approximate those of the liabilities of the company. They are denominated in the same currency in which the benefits are expected to be paid. The calculation is made by an actuary annually using the projected unit credit method. Actuarial gains or losses are recognized directly in equity. As of April 1, 2011, only the executive management pension plan qualified as a defined benefit plan. See note 19 for further information.

If the calculation results in a positive balance for the company, the asset recognized is limited to an amount that is no higher than the present value of economic benefits in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to Siemens Nederland N.V. if it can be realized during the term of the plan or on settlement of the obligations of the plan.

(3.11) Leases

The determination of whether an arrangement is, or contains, a lease is based on the economic substance of the arrangement at its inception and requires an assessment of whether fulfillment of the arrangement depends on the use of one or more specified assets and whether the arrangement transfers the right to use that asset. A reassessment of the lease after its inception is made only if any one of the following conditions is met:

(a) There is a change in the contractual terms, unless the change only renews or extends the arrangement;
(b) A renewal option is exercised, or an extension is agreed to, unless the term of the renewal or extension had initially been included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

If an arrangement is reassessed and is determined to contain a lease (or not to contain a lease), lease accounting is applied (or ceases to apply) according to the new circumstances from:
(a) If condition a, c, or d is met, the time when the change in circumstances occurs that gives rise to the reassessment;
(b) If condition b is met, the start of the extension period.

The Company as lessee
Operating lease installments are recognized as expenses in the income statement on a straight-line basis during the lease term.

The Company as lessor
Leases under which the Company retains virtually all risks and rewards of ownership of the asset are classified as operating leases. The initial costs incurred while negotiating an operating lease are added to the carrying amount of the leased asset. Leases under which the Company transfers virtually all risks and rewards of ownership of the asset to the customer are classified as finance leases. If the leased item is a Siemens product or installation, the initial costs are not capitalized but deducted from the sales margin. If the leased item is not a Siemens product or installation, the initial costs are recognized as part of the lease receivable.

(3.12) Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are measured at the rate as of the reporting date. Income and expenses denominated in foreign currency are translated at the transaction rates in the respective accounting period. Differences arising on translation of monetary items are recognized in profit or loss. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

(3.13) Revenue

Revenue recognition – Siemens recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i. e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer’s creditworthiness. Revenue is the transaction price Siemens expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or Siemens. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time.

Sales from construction-type contracts: Revenues are recognized over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognized as an expense immediately. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total estimated costs, total estimated revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue. In addition, Siemens needs to assess whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis.

Revenues from services: Revenues are recognized over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided, i. e. under the percentage-of-completion method as described above. Payment terms are usually 30 days from the date of invoice issued according to the contractual terms.

Sale of goods: Revenues are recognized at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 days.

(3.14) Interest income

Income is recognized as the interest accrues (using the effective interest method, i.e., the interest rate that discounts the estimated future cash inflows during the expected useful life of the financial asset to the net carrying amount of the financial asset).

(3.15) Income taxes

Current taxes
Current taxes receivable and payable for current and prior years are measured at the amount that is expected to be paid or recovered within the tax group. The tax amount is calculated based on the substantively enacted tax rates and tax laws.

Deferred taxes
For deferred tax liabilities, provisions are recognized based on the temporary differences as of the reporting date between the tax bases of assets and liabilities and the carrying amounts recognized in these financial statements. Deferred tax assets are recognized for all recoverable temporary differences, unused tax credits, and unused tax loss carry forwards, to the extent that it is probable that taxable profit will be available to offset the recoverable temporary differences, and the recoverable temporary differences, unused tax credits, and unused tax loss carry forwards can be utilized.

The carrying amount of deferred tax assets is assessed as of the reporting date and reduced to the extent that it is not probable that sufficient tax profit will be available against which the temporary difference can be fully or partially utilized. Unrecognized deferred tax assets are reassessed as of the reporting date and recognized to the extent that it is probable that sufficient tax profit will be available in the future against which this deferred tax asset can be utilized Deferred tax assets and liabilities are measured using the tax rates expected to be applicable to the period in which the asset is recovered or the liability settled, on the basis of the enacted tax rates and tax laws.

Taxes on items directly recognized in equity are likewise recognized in equity instead of the income statement.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to settle tax assets and liabilities on a net basis and the deferred tax amounts are levied by the same taxing authority on the same taxable entity.

Tax group

Siemens Nederland N.V. and other group companies form a tax group with its parent company in the Netherlands for the levying of corporation tax. The Group forms a tax group with its parent company for value added tax.

(3.16) Company statement of cash flows

The company statement of cash flows has been compiled using the indirect method. Bank overdrafts that can be drawn directly and form an integral part of the companies' liquidity management are included under cash and cash equivalents in the statement of cash flows. Any surplus of cash and cash equivalents is invested with financial institutions of the Siemens Group. If there is any shortfall of cash and cash equivalents, it is borrowed from the same financial institutions. For this reason, changes in financing receivables from and liabilities to affiliated companies are reported in the statement of cash flows not as changes in working capital, but on a net basis as cash flows from financing activities.

(3.17) Subsidies

Subsidies reduce the costs in the line item to which the costs of the subsidized activities were charged. Subsidies are recognized as soon as there is reasonable assurance that the subsidy will be paid. Main subsidies are from the “WBSO”. Under this Act, a contribution is paid towards the wage costs of employees directly involved in R&D. The contribution is in the form of the payroll tax reduction and social security contributions. Subsidies are only recognized in profit & loss when the related costs are incurred.

(3.18) Share-based payment

The Company participates in equity-settled share-based payment plans established by its ultimate parent company Siemens AG.

The Company pays Siemens AG a consideration for the awards and bonus shares provided and will account for the transaction as a cash-settled share-based payment. In accordance with IFRS2, the cost of these cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized as expense. The fair value in each fiscal year is calculated by applying a valuation model. Inputs to that model include an expected weighted volatility of Siemens shares and a market price per Siemens share. Expected volatility was determined by reference to historic volatilities.

(4) Fair value measurement

A number of policies and the Group's information provision requirements necessitate the determination of the fair values of both financial and non-financial assets and liabilities. For measurement and information purposes, fair value has been determined using the following methods. Where applicable, further information about the bases for determining fair value is provided in the section of this note applicable specifically to the asset or liability concerned.

Goodwill

The fair value of goodwill acquired as a result of a business combination is determined on the basis of the discounted estimated future cash flows.

(5) Financial risks & capital management

This section of the notes provides information on the exposure of the company to each of the risks itemized in the paragraphs below, the purposes, policies, and procedures the company pursues to manage and measure those risks, as well as on the capital management of the company. In addition, these company financial statements include further quantitative disclosures.

(5.1) Financial risks

The use of financial instruments by the company means that they are exposed to the following risks:

- Credit risk;
- Market risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities.

Regarding trade receivable credit risk, the Company uses a risk management system of which credit risk monitoring and control is a significant element. A credit check is performed on all customers requesting credit in excess of a specified amount. Credit ratings are determined based on internal and external sources, such as Dun & Bradstreet. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and operate in largely independent markets.

Siemens recognizes allowances for bad debt and doubtful accounts for the estimated credit risk, based on a combination of the individual customer's credit rating and specific risks. Specific risks include, for example, a moratorium on payments, the instigation of collection procedures, and payment arrangements made.

An impairment analysis is performed at each reporting date using a new impairment model to measure expected credit losses (ECL). ECLs are recognized in two stages. For credit exposures for which there has not 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).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company use the Group’s new impairment model that is based on the credit rating, adjusted for forward-looking factors specific to the debtors.

The letters of credit are considered integral part of trade receivables and considered in the calculation of impairment. The credit risk exposure on the Company’s contract assets and trade receivables are respectively disclosed in note 9 and 11.

Market risk

Market risk is the risk that the he company's revenue or the value of investments in financial instruments are adversely affected by changes in market prices, such as exchange rates, interest rates, and share prices. Market risk management is aimed at keeping the market risk exposure within acceptable limits while optimizing returns. For managing market risk, the Company enters into derivative financial instruments. These types of transactions are carried out in accordance with the guidelines specified by the risk management committee. In general, the company uses hedge accounting to manage volatility in the income statement.

Interest rate risks

On average in 2019, the Company held EUR 195.3 million (2018: EUR 501.1 million) in short-term deposits or on current account with the treasury department of Siemens AG. Following market conditions, interest on these amounts is fixed for a maximum of three months at arm's length market rates. A change in the interest rate on the deposits of 10 basis points would lead to a change in interest expense of EUR 0.2 million (2018: EUR 0.5 million) for the Company.

Foreign currency risks

The Company is exposed to foreign currency risks because of sales and purchases in currencies other than the functional currency. The risk on virtually all sales and purchases denominated in foreign currency is hedged in full through forward exchange contracts at the treasury department of Siemens AG. This approach has proved successful in the past in managing these risks. The Company is responsible for its own administration, assessment, monitoring, and hedging of the currency risks on sales and purchases. The FX derivative financial instruments at the end of the reporting period are not material. Please refer to note 21.

(5.2) Liquidity risk

The Company manages its liquidity risk by managing the working capital and the deposits at its disposal, which are invested within the Siemens Group, as well as cash and cash equivalents. In addition, the company manages its liquidity risk by making use of the borrowing and deposit facilities within the Siemens Group.

(5.3) 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 main purpose of capital management at the company is to maintain a good credit rating and a healthy solvency ratio to support its activities and maximize shareholder value. The Company is not subject to externally imposed capital requirements. The Company did not change its objectives, policies and processes for capital management during the fiscal year.

Notes to the company statement of financial position

(6) Non-current intangible assets

	Software and development costs	Goodwill	Total
Carrying amount as of 30 September, 2017			
Cost	35.1	9.8	44.9
Amortization	-35.1	-	-35.1
	-	9.8	9.8
Changes			
Divestment (Mechanical Drives)	-	-0.3	-0.3
	-	-0.3	-0.3
Carrying amount as of 30 September 2018			
Cost	35.1	9.5	44.6
Amortization	-35.1	-	-35.1
	-	9.5	9.5
Changes			
Divestment (GP held for sale)	-	-7.7	-7.7
	-	-7.7	-7.7
Carrying amount as of 30 September 2019			
Cost	35.1	1.8	36.9
Amortization	-35.1	-	-35.1
	-	1.8	1.8

Software includes internally developed software. This software operates on the ERP system for the Company's own use and for use by other corporate units.

Once a year, an impairment test is performed to establish whether the value of Goodwill is not overstated. The discounted value of expected future cash flows is then compared with the net carrying amount of the asset. The test is performed at Operating Company level, which is the level to which income and expenses can be allocated independently. Amounts are discounted using an Operating Company-specific cost of capital after tax. No (fixed) growth rate is assumed, because this would provide skewed figures for the Operating Companies that primarily deal in projects.

Division	**Goodwill**	**WACC**
Digital Industries	1.6	8.5
Smart Infrastructure	0.2	8.0
	1.8	

The discounted cash flows exceeded the net carrying amounts in all cases, which means that the amount in the Operating Company's statement of financial position is not overstated. As in previous years, there is no indication that goodwill must be impaired in the fiscal year under review. Reasonably possible changes in a key assumption would not cause the carrying amount to exceed its recoverable amount and consequently no sensitivity analysis is disclosed. The goodwill recognized in the statement of financial position of the Company consists of goodwill that arose from the acquisition of several smaller acquisitions which have been integrated into Siemens Nederland N.V. There is no accumulated impairment on Goodwill.

(7) Property, plant and equipment

	Land and buildings	Machinery and installations	Office equipment	Non-current operating assets in process	Total
Carrying amount as of					
30 September, 2017					
Cost	15.2	25.6	20.7	2.4	63.9
Depreciation	-7.5	-19.2	-17.5	-	-44.2
	7.7	6.4	3.2	2.4	19.7
Changes					
Transfers, cost	0.1	2.1	0.2	-2.4	-
Investments	0.0	0.3	0.6	0.0	0.9
Depreciation charged to income	-1.1	-1.5	-1.5	-	-4.1
Divestments, cost	-0.1	-0.5	-1.0	-	-1.6
Divestments, depreciation	0.1	0.5	0.9	-	1.5
Impairment	-1.7	-6.9	-1.1	-	-9.7
	-2.8	-6.0	-1.9	-2.4	-13.0
Carrying amount as of					
30 September 2018					
Cost	15.2	27.5	20.6	-	63.3
Depreciation	-10.2	-27.1	-19.3	-	-56.6
	5.0	0.4	1.3	-	6.7
Changes					
Transfers (GP held for sale), cost	-5.4	-14.8	-13.9	-	-34.1
Transfers (GP held for sale), depreciation	5.4	14.7	13.8	-	33.9
Investments		0.0	0.3	-	0.3
Depreciation charged to income	-0.7	-0.1	-0.6	-	-1.4
Divestments, cost	-1.6	-2.8	-0.9	-	-5.3
Divestments, depreciation	1.6	2.8	0.9	-	5.3
	-0.7	-0.2	-0.4	-	-1.3
Carrying amount as of					
30 September 2019					
Cost	8.2	9.9	6.1	-	24.2
Depreciation	-3.9	-9.7	-5.2	-	-18.8
	4.3	0.2	0.9	-	5.4

The carrying amount of installations supplied under operating leases amounted to EUR 0.2 million as of 30 September 2019 (2018: EUR 0.3 million). The investments made in these assets during the year amounted to EUR 0.0 million (2018: EUR 0.0 million).

The cost of property, plant and equipment still in use at 30 September 2019 was EUR 13.0 million (2018: EUR 48.5 million), which had been depreciated in full. The contractual obligations to acquire property, plant, and equipment amounted to EUR 0.0 million as of 30 September 2019 (2018: EUR 0.0 million).

(8) Non-current receivables

	2019	2018
Unbilled revenue and prepayments	6.0	6.4
	6.0	**6.4**

Unbilled revenue and prepayments mainly relate to the sublease of part of The Hague office, in which performance and payment scheme differs.

(9) Contract assets and contract liabilities

Contract assets	**2019**	**2018**	*Thereof continued operations**
Contract assets	26.5	93.3	*13.8*
Provision on contract assets	0.0	-4.1	*0.0*
Total contract assets	**26.5**	**89.2**	*13.8*
Current	18.8	60.0	*11.5*
Noncurrent	7.7	29.2	*2.3*
Contract liabilities			
Refund liabilities			
- Penalties	0.0	17.2	*3.8*
- Price and quantity discounts	3.6	3.7	*3.7*
Advance payments from 3rd parties	5.2	49.4	*5.3*
Billings in excess of costs	12.6	119.4	*9.8*
Total contract liabilities	**21.4**	**189.7**	*22.6*
Current	14.8	134.6	*16.9*
Noncurrent	6.6	55.1	*5.7*

* 2018 continued operations are added to reflect the year over year change after the reclassification of Gas and Power to held for sale in 2019.

Contract liabilities from continued operations did not significantly change. Significant change in contract assets from continued operations amounts to EUR 12.7 million resulted mainly from new large datacenter projects.

(10) Inventories

As of 30 September 2019, a provision of EUR 3.3 million had been recognized for obsolescent inventories (2018: EUR 4.5 million).

(11) Trade and other receivables

	2019	2018
Trade receivables	54.7	100.5
Receivables from Affiliated Companies	113.9	609.9
Other receivables	2.9	4.4
	171.5	**714.8**

Most of the receivables from companies that are part of the Siemens Group relate to receivables on funds temporarily placed in interest-bearing deposits or current account within the Group. For more information, please refer to note 21 on financial instruments.

The changes in allowances for uncollectible trade receivables were as follows:

	2019	2018
At 1 October	**10.0**	**8.3**
Transfers (GP held for sale)	-9.6	-
Realized losses	-0.1	-0.6
Additions (withdraws)	-0.1	2.3
At 30 September	**0.2**	**10.0**

The credit and currency risks associated with trade and other receivables (excluding projects in process on the instructions of third parties) are explained in note 21.

Ageing analyses of receivables

			Overdue in days			
	Total receivables	Not overdue	<31	31-60	61-90	>91
2019	54.7	49.6	3.8	0.4	0.5	0.5
2018	100.5	50.3	4.0	10.2	3.9	32.1

The amount in overdue receivables of >90 days in 2018 was mainly caused by difficulties in money collection from clients based in the Middle-East region.

Allowance

As at	**2019**		**2018**	
	Receivables	Allowance	Receivables	Allowance
With allowance	51.2	0.2	99.8	10.0
Without allowance	3.5		0.7	

For the receivables without allowance a letter of credit was received which mitigates the credit risk of these receivables.

(12) Other financial assets

Other financial assets mainly consist of a pension receivable (note 19).

(13) Prepayments

Prepayments are mainly related to non-progress relevant costs of projects.

(14) Cash and cash equivalents

The Company invests its cash in interest-bearing accounts with financial institutions within the Siemens AG Group. These amounts are reported under "Receivables from Affiliated Companies" (see note 11). External bank accounts are only used for cash received or cash intended for use in the very short-term. The aim is to keep the outstanding amount of cash to a minimum. The Company does not keep any cash on hand. At balance date all amounts in cash at bank are at its free disposal (2018: EUR 0.8 million not at free disposal).

	2019	2018
Bank accounts (current accounts)	0.3	1.1
	0.3	**1.1**

(15) Assets held for sale and discontinued operations

Gas and Power

In the upcoming year the Company will demerge its Gas and Power Operating Company to Siemens Heat Transfer Technologies BV. The main components of the Gas and Power's assets and liabilities classified as held for sale are stated below.

	2019	2018
Non-current assets		
Non-current intangible assets	7.6	7.6
Property, plant, and equipment	0.2	0.2
Non-current financial assets	0.3	-
Non-current contract assets	17.9	27.1
Total non-current assets	**26.0**	**34.9**
Current assets		
Inventories	8.6	2.0
Contract assets	35.5	48.5
Receivables		
Trade and other receivables	76.3	164.7
Other financial assets	0.4	0.8
Prepayments	78.9	85.3
Cash and cash equivalents	1.1	0.8
Total current assets	**200.8**	**302.1**
Total assets	**226.8**	**337.0**
Provisions	**15.8**	**18.0**
Non-current liabilities		
Other financial obligations	1.7	1.7
Non-current contract liabilities	32.0	49.5
Total non-current liabilities	**33.7**	**51.2**
Current liabilities		
Trade and other payables	18.6	26.8
Contract liabilities	77.0	117.6
Total current liabilities	**95.6**	**144.4**
Total provisions and liabilities	**145.1**	**213.6**

Assets held for sale and discontinued operations (continued)

The income statement of Gas and Power is shown below.

	2019	2018
Revenue	256.0	415.2
Cost of sales	222.0	342.7
R&D expenses	0.1	0.2
Selling expenses	13.0	25.0
General and administrative expenses	1.5	1.3
Other operating expenses	47.1	0.0
Operating income	**-27.7**	**46.0**
Finance costs	0.4	0.7
Profit from discontinued operations, before tax	**-28.1**	**45.3**
Tax related to pre-tax profit	7.0	-11.3
Total profit from discontinued operations, after tax	**-21.1**	**34.0**

The net cash flows of Gas and Power is as follows:

	2019	2018
Net cash flows from operating activities	**-29.7**	**29.3**
Net cash flows from/used in investing activities	**-0.1**	**-0.5**
Net cash flows from/used in financing activities	**-44.0**	**-28.7**
Net cash flows from discontinued operations	**-73.8**	**-**

Assets held for sale and discontinued operations (continued)

Siemens Healthcare Nederland B.V.

The Company sold its Healthcare subsidiary on 1 January2 2018 to another Siemens Group company. The income from this investment until the sale including the gain on the sale is shown under profit from discontinued operations and amounted to EUR 253.3 million.

The income statement of Healthcare is shown below.

	2019	**2018**
Revenue	-	38.2
Cost of sales	-	30.4
Selling expenses	-	4.1
General and administrative expenses	-	0.6
Other operating expenses	-	0.0
Operating income	**-**	**3.2**
Finance costs	-	0.0
Profit from discontinued operations, before tax	**-**	**3.2**
Tax related to pre-tax profit	-	-0.8
Profit from discontinued operations, after tax	**-**	**2.4**
Gain on sale of business	-	250.9
Total profit from discontinued operations, after tax	**-**	**253.3**

The net cash flows of the held for sale Healthcare business is as follows:

	2019	**2018**
Net cash flows from operating activities	**-**	**-1.8**
Net cash flows from/used in investing activities	**-**	**-0.7**
Net cash flows from/used in financing activities	**-**	**2.5**
Net cash flow	**-**	**0.0**

Assets held for sale and discontinued operations (continued)

Mobility

The Mobility division has been sold on 1 July 2018 to another Siemens Group company. Below statement therefore only reflects the first 9 months of fiscal year 2018. The income from this investment until the sale including the gain on the sale is shown under profit from discontinued operations and amounted to EUR 84.2 million.

The income statement of Mobility is shown below.

	2019	2018
Revenue	-	53.5
Cost of sales	-	44.2
Research and development expenses	-	0.5
Selling expenses	-	5.5
General and administrative expenses	-	0.3
Operating income	**-**	**3.0**
Finance costs	-	0.0
Profit from discontinued operations, before tax	**-**	**3.0**
Tax related to pre-tax profit	-	-0.7
Profit from discontinued operations, after tax	**-**	**2.3**
Gain on sale of business	-	81.9
Total profit from discontinued operations, after tax	**-**	**84.2**

The net cash flows of the sold Mobility business are as follows:

	2019	2018
Net cash flows from operating activities	**-**	**-1.8**
Net cash flows from/used in investing activities	**-**	**-1.5**
Net cash flows from/used in financing activities	**-**	**3.3**
Net cash flow	**-**	**-**

Mechanical Drives (business unit of Division Process Industries and Drives)

The business unit Mechanical Drives has been sold on 1 September 2018 to Flender GmbH. The gain on this sale was EUR 5.3 million and is accounted for as profit from discontinued operations.

For our income statement, the sale of the Business Unit had a low impact (Operating gain 0.4).

(16) Equity

	Issued capital	Share premium	Retained earnings	Profit for the year	Total
At 30 September, 2017	**36.3**	**150.9**	**6.4**	**193.4**	**387.0**
Profit after tax	-	-	-	401.5	401.5
Other comprehensive income	-	-	-0.1	-	-0.1
Total comprehensive income	-	-	-0.1	401.5	401.4
Dividends	-	-	-	-193.4	-193.4
At 30 September 2018	**36.3**	**150.9**	**6.3**	**401.5**	**595.0**
Profit after tax	-	-	-	3.7	3.7
Other comprehensive income	-	-	-0.0	-	0.0
Total comprehensive income	-	-	-0.0	3.7	3.7
Dividends	-	-	-	-401.5	-401.5
At 30 September 2019	**36.3**	**150.9**	**6.3**	**3.7**	197.2

The retained earnings from prior years include cumulative actuarial gains and losses.

Issued capital

The Company's share capital amounts to EUR 100 million, divided into in 100,000 shares with a nominal amount of EUR 1,000 each, 36,307 shares of the share capital have been issued and fully paid up.

Share premium

All share premium is considered as paid-up capital from a tax perspective.

Dividends

	2019	2018
Declared and distributed during the year	401.5	193.4

	2019	2018
Proposed for approval by the Annual General Meeting (not recognized as a liability as of 30 September)	3.7	401.5

(17) Taxes

	2019	Equity	P&L	2018	Equity	P&L	2017
Deferred tax assets:							
Provisions	0.1	-	-0.0	0.1	-	-0.0	0.1
Other	-	-	-	-	-0.5	-	-
	0.1	-	-0.0	0.1	-0.5	-0.0	0.1
Deferred tax liabilities:							
Non-current intangible assets	-1.9	-	-	-1.9	-	0.0	-1.9
Property, plant, and equipment	-0.1	-	0.1	-0.2	-	0.6	-0.8
Pensions	-0.8	-	-	-0.8	-	-	-0.8
Provisions	-	-	0.0	0.0	-	0.6	-0.6
	-2.8	-	0.1	-2.9	-	1.2	-4.1
Net deferred tax liabilities	**-2.7**	**-**	**0.1**	**-2.8**	**-0.5**	**1.2**	**-4.0**

All tax receivables and liabilities are recognized in the statement of financial position. There are no unused deferred tax liabilities.

	2019	2018
Tax receivable	5.9	-
Tax liability	-	-2.8
	5.9	**-2.8**

For more information, please refer to note 25 on income taxes.

(18) Other financial obligations (included in non-current liabilities)

	2019	2018
Finance lease and hire purchase liabilities	1.2	1.4
Other financial liabilities	-	1.7
	1.2	**3.1**

Finance lease obligations are presented as follows in the statement of financial position:

	2019	2018
Short-term finance lease payables	0.2	0.2
Long-term finance lease payables	1.2	1.4
	1.4	**1.6**

The portion due within one year has been recognized under Trade and other payables.

The minimum lease payments to be made under finance leases and hire purchase agreements in the future are as follows:

	2019	2018
To be settled in 1st subsequent year	0.2	0.2
To be settled in 2nd subsequent year	0.2	0.2
To be settled in 3rd subsequent year	0.2	0.2
To be settled in 4th subsequent year	0.2	0.2
To be settled in 5th subsequent year	0.2	0.2
To be settled after 5th year	0.5	0.7
Minimum lease payments to be received in the future	**1.5**	**1.7**

The table below shows a reconciliation between the minimum lease payments and the gross and net lease investment to the present value of the minimum lease payments:

	2019	2018
Minimum lease payments	1.5	1.7
Gross investment in leases	**1.5**	**1.7**
less: Finance income received in advance (unearned interest)	-0.1	-0.1
Net investment in leases	**1.4**	**1.6**
Present value of minimum lease payments	**1.4**	**1.6**

The gross investment in leases and the present value of the minimum lease liabilities mature as follows:

	2019	2018
Gross lease investment	**1.5**	**1.7**
within 1 year	0.2	0.2
within 1 to 5 years	0.8	0.8
after 5 years	0.5	0.7
Present value of minimum lease payments	**1.4**	**1.6**
within 1 year	0.2	0.2
within 1 to 5 years	0.7	0.7
after 5 years	0.5	0.7

The current finance lease relates to an office location in Breda.

(19) Provisions

	Warranty	Order-related	Personnel-related	Other	Total
Carrying amount as of Oct. 1, 2017	**23.8**	**20.1**	**7.2**	**6.5**	**57.6**
Additions during the year	0.2	12.7	1.1	0.0	14.0
Utilization	-2.3	-14.4	-2.0	-0.7	-19.4
Reversals	-3.7	-2.2	-0.2	-0.4	-6.5
Change in scope of consolidation	-3.0	-7.2	-0.7	-0.1	-11.0
Carrying amount as of Sept. 30 2018	**15.0**	**9.0**	**5.4**	**5.3**	**34.7**
Additions during the year	0.1	1.3	0.2	0.1	1.7
Utilization	-0.8	-0.5	-0.6	-0.9	-2.8
Change in scope of consolidation	-	-	0.0	-	0.0
Held for sale (GP)	-7.9	-8.6	-1.4	-	-17.9
Carrying amount as of Sept. 30 2019	**6.4**	**1.2**	**3.6**	**4.5**	**15.7**
Current as of 30 September 2018	10.4	9.0	1.0	0.9	21.3
Non-current as of 30 September 2018	4.6	-	4.4	4.4	13.4
Carrying amount as of Sept. 30 2018	**15.0**	**9.0**	**5.4**	**5.3**	**34.7**
Current as of 30 September 2019	3.6	1.2	0.5	0.2	5.4
Non-current as of 30 September 2019	2.8	-	3.1	4.3	10.3
Carrying amount as of Sept. 30 2019	**6.4**	**1.2**	**3.6**	**4.5**	**15.7**

Pensions

The Company participates in the Pension Fund for the Mechanical and Electrical Engineering Industry (PME), except for the pension plan for senior management. The PME-pension scheme is a defined benefit agreement referred to as a conditional average earnings scheme. The company accounts for the defined benefit agreement as a defined contribution plan, because there is no reliable basis for allocating the obligations, plan assets, and costs to the participating companies, since PME does not (or cannot) provide the information. In accordance with the PME plan, Siemens only has an obligation to pay the contributions due annually. Since there is no reliable basis for allocating the obligations, plan assets, and costs to the participating companies in PME, there is very likely no obligation to make up any shortfalls in the plan. If the coverage of PME assets versus liabilities is not enough, the deficit would likely be reflected as decrease of vested rights and/or increase of pension premium. A new pension scheme is set to be introduced 1 January 2020. The industry fund has a coverage ratio of 93,4 % as at 30 September 2019 (2018: 103,4%).

The pension plan for senior management was a final salary scheme and has been discontinued as of 1 January 2015. All vested rights have been frozen as of this date. Indexation is decided annually but is limited to the indexation granted in the Pension Fund for the Mechanical and Electrical Engineering Industry (PME) and conditional depending on plan assets. The administration of the pension plan for senior management has been assigned to an insurer in accordance with section 2 (4) (B) of the Dutch Pensions and Savings Funds Act. No contributions are due after discontinuation of the pension plan.

In addition to the pension plan, there is also an early retirement plan for employees born before 1950. This plan is managed by the Pension Fund for the Mechanical and Electrical Engineering Industry. It is a defined benefit plan but is accounted for in the annual financial statements as a defined contribution plan, because there is no reliable basis for allocating the obligations, plan assets, and costs to the participating companies within PME.

The early retirement plan for employees born after 1949 is granted conditionally in the collective bargaining agreement (CBA). Each year, an assessment is made as to whether the benefits can be granted unconditionally to the employees of the subsequent year of birth. Currently the benefits of the employees who were born in 1951 and who meet the plan criteria have been granted unconditionally.

The numbers of pension plan members are as follows:

Number of members	**2019**	**2018**
Active members	0	0
Beneficiaries	8	8
Vested deferred members	1	1
Total	**9**	**9**

Pension obligations and funded status of Siemens Nederland N.V.

	2019	**2018**
Projected obligations		
Benefit obligation as of 1 October	**13.1**	**13.5**
Current service cost: Increase in the present value of pension benefits granted	-	-
Interest expenses	0.2	0.3
Benefits paid	-0.9	-0.9
Remeasurement: effect of changes in demographic assumptions	-0.1	-
Remeasurement: effect of changes in financial assumptions	1.3	0.2
Remeasurement: effect of experience adjustments	0.3	-
Obligation as of 30 September	**13.9**	**13.1**

Plan assets	**2019**	**2018**
Fair value of plan assets as of 1 October	**16.2**	**16.6**
Interest income	0.3	0.3
Employer contributions	-	-
Benefits paid	-1.0	-0.9
Administrative expenses paid from plan assets	-	-
Remeasurement: return on plan assets (excluding interest income)	1.6	0.2
Fair value of plan assets as of 30 September	**17.1**	**16.2**

Diversification of plan assets

	2019	**2018**
Cash and cash equivalents	100%	100%

In recent years, the obligations and plan assets as of 30 September have changed as follows:

	2019	**2018**	**2017**	**2016**	**2015**
Fair value of plan assets	17.1	16.2	16.6	19.0	14.3
Projected obligations	-13.9	-13.1	-13.5	-16.0	-14.3
Value of plan assets less projected obligations	**3.2**	**3.1**	**3.1**	**3.0**	**0.0**

Net periodic cost of pension plan

	2019	2018
Increase in the present value of pension agreements granted	-	-
Interest expenses on future pension obligation	0.2	0.3
Expected return on plan assets (income)	-0.3	-0.4
Net periodic cost (income)	**-0.1**	**-0.1**

Changes in actuarial gains and losses recognized in equity

Changes in fiscal year	**2019**	**2018**
Actuarial gains (losses)	0.0	-0.1
	0.0	**-0.1**
Deferred taxes on actuarial gains and losses	-0.0	0.0
	0.0	**0.0**
Change in net accumulated equity component	**0.0**	**-0.1**

Actuarial assumptions for calculating the discounted obligations and net periodic cost:

Assumptions of variables	**2019**	**2018**
Actuarial discount rate	0.80%	1.89%
Salary increase rates	0.00%	0.00%
Return on plan assets	1.75%**	1.75%**
Indexation	0.50%	0.50%
Mortality table	Generation tables*	Generation tables*
Age adjustment (women, men)	-	-

The discount rate applied in the calculation reflects the return as of the reporting date on prime-rated bonds with maturities that approximate those of the Group's liabilities and are denominated in the same currency in which the benefits are expected to be paid. The expected return is determined based on past returns, the strategic diversification of plan assets, and future expected returns on long-term investments.

* Assumptions about future mortality rates are based on the AG projections table 2018, published by the Dutch Association of Actuaries (AG).
** This corresponds to the actuarial discount rate.

Contributions to the industry pension fund for the early retirement scheme

The employer contributions to the industry pension fund amounted to EUR 8.1 million (2018: EUR 11.6 million).

Warranty provisions

Provisions are recognized for expected warranty claims on systems and installations sold in the past one to two years, based on past experience with the volume of repairs and returns. Most of these costs are expected to be incurred in the following fiscal year and all of them within two years of the reporting date. The assumptions made in calculating the warranty provisions are based on current sales levels and information available on returns, on the basis of the standard warranty period of one to two years on all products sold.

Order-related provisions

Order-related provisions are anticipated onerous contracts (contracts in which the expected costs are estimated to be higher than the expected benefits) and outstanding (project) costs still to be received.

Personnel-related provisions

Personnel-related provisions are mainly severance payments and long-term service awards.

Other provisions

Other provisions comprise all provisions, which are not included in the provisions mentioned above. These include amongst other record retention, under-utilization of real estate and other assets leased under an operating lease and specific other minor provisions.

(20) Trade and other payables

	2019	**2018**
Trade payables	33.1	48.8
Liabilities to Affiliated Companies	1.4	1.6
Taxes and social security contributions payable	30.9	31.4
Other liabilities	15.8	22.2
Liabilities under forward exchange contracts	-	0.7
Pension contributions payable	1.6	2.2
	82.8	**106.9**

The taxes and social security contributions payable have been offset against taxes and social security contributions receivable, provided that they are payable to or receivable from the same party and a legal right to offset exists.

(21) Financial instruments

The table below shows the carrying amounts of all financial instruments recognized in the financial statements.

	2019	**2018**
Financial assets		
Non-current financial assets:		
Non-current receivables:		
Other receivables	6.0	6.4
Current receivables:		
Trade and other receivables:		
Receivables from Affiliated Companies	195.6	609.8
Other trade receivables and other receivables	63.5	104.9
Other financial receivables:		
Other financial receivables	3.6	4.4
Financial liabilities		
Non-current liabilities:		
Other financial liabilities:		
Lease and hire purchase liabilities	-1.2	-1.4
Other financial liabilities	-	-1.7
Current liabilities:		
Trade and other payables	-82.9	-106.9
Tax liabilities	-	-2.8

The fair values of cash and cash equivalents, (current) receivables, and current liabilities correspond to their carrying amounts. This is due to the high level of liquidity and/or short maturities of the instruments.

Liquidity risk

The table below shows the contractual terms and repayment obligations of the financial assets and financial liabilities, including estimated interest payments:

At 30 September 2019

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
Fixed-income financial assets							
Other receivables	-	1.0	1.0	1.0	1.0	2.0	6.0
Variable-income financial assets							
Receivables from Affiliated Companies	113.9	-	-	-	-	-	113.9
Other trade receivables and other receivables	63.5	-	-	-	-	-	63.5
Other financial receivables	3.6	-	-	-	-	-	3.6
Variable-income financial liabilities							
Finance lease and hire purchase agreements	-	-0.2	-0.2	-0.2	-0.2	-0.4	-1.2
Other financial liabilities	-	-	-	-	-	-	-
Trade and other payables	-82.9	-	-	-	-	-	-82.9
Tax Liabilities	-	-	-	-	-	-	-

At 30 September 2018

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years	Total
Fixed-income financial assets							
Other receivables	-	1.4	1.0	1.0	1.0	2.0	6.4
Variable-income financial assets							
Receivables from Affiliated Companies	609.8	-	-	-	-	-	609.8
Other trade receivables and other receivables	104.9	-	-	-	-	-	104.9
Variable-income financial liabilities							
Finance lease and hire purchase agreements	-	-0.2	-0.2	-0.2	-0.2	-0.7	-1.5
Other financial liabilities	-	-1.6	-	-	-	-	-1.6
Trade and other payables	-106.9	-	-	-	-	-	-106.9
Tax Liabilities	-2.8	-	-	-	-	-	-2.8

The interest is fixed until the end of the term of the intragroup deposits.

Interest rate risk

For an assessment of the risk in the subsequent year, please refer to note 5.

Credit risk

With regard to the trade receivables and lease receivables items, the Company has processes and control mechanisms in place to keep the risks to a minimum. The Company's maximum risk exposure is theoretically equal to the total balance outstanding. The Company regards its policies to manage this risk (see also note 5) as effective, since realized losses (see note 11) have been low in recent years.

Currency risk

An exchange rate profit of EUR 0.2 million was generated (2018: loss of EUR 0.0 million).

Hedging activities

As of 30 September 2018, and 30 September 2019, the Company had entered into various forward exchange contracts to hedge currency risks on expected future sales to customers and future deliveries from suppliers. Most of the contracts expire within one year. Cash flow hedge accounting is used, if all strict conditions are met.

The fair values recognized for these forward exchange contracts as of 30 September were as follows:

	2019	2018
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	0.0	0.3
Embedded derivatives	0.0	-0.3

(22) Contingent liabilities

For certain projects, banks issue bank guarantees to third parties in which they stand surety for the Company meeting its obligations under the contracts. If a claim is made on a bank guarantee by third parties, the bank has the right of recourse to the Company. On 30 September, the following amounts of bank guarantees were outstanding:

	2019	2018
Bank guarantees	15.0	94.0

In addition to the guarantees provided by banks, as disclosed above, the ultimate parent company Siemens AG or its wholly owned subsidiaries also stand surety vis-à-vis third parties for the Company meeting its obligations under the contracts. In 2019, the ultimate parent company Siemens AG or its wholly owned subsidiaries provided surety in an amount of EUR 14.0 million (2018: EUR 101.8 million). The total guarantee amount for 2019 is therefore EUR 29.0 million (2018: EUR 195.8 million).

Lease obligations

	Lease obligations		Operating asset obligations	
	2019	2018	2019	2018
To be settled in 1st subsequent year	13.8	12.9	3.1	4.3
To be settled in 2nd subsequent year	13.5	12.7	1.9	2.9
To be settled in 3rd subsequent year	10.5	11.4	1.0	1.6
To be settled in 4th subsequent year	9.0	9.4	0.4	0.6
To be settled in 5th subsequent year	8.7	8.8	0.1	0.1
Total obligation to be settled within 5 years	55.5	55.2	6.5	9.5
Total obligation to be settled after 5 years	10.4	19.3	-	-
Total obligation as of the reporting date	**65.9**	**74.5**	**6.5**	**9.5**

The Company has liabilities arising from long-term leases and operating assets. The liabilities arising from operating assets are primarily related to obligations for leased vehicles. All companies belonging to either of these tax groups are jointly and severally liable for the taxes payable by the respective tax group. Siemens International Holding B.V. is the head of the tax group. The Company is the taxpayer. All companies in the Group periodically settle the account receivable or payable position with Siemens International Holding B.V. Since Siemens International Holding B.V. is the head of the tax group, all current and deferred tax assets and liabilities of the Company are positions vis-à-vis the parent company.

Notes to the company income statement

(23) Revenue

In accordance with section 2:380 of the Dutch Civil Code, the table below shows the distribution of revenue over geographical areas and operating segments.

Geographical areas	**2019**	**2019**	**2018 Restated***	**2018 Restated***
	Third parties	Related parties of Siemens AG	Third parties	Related parties of Siemens AG
The Netherlands	359.5	9.3	353.5	8.1
Europe other	29.5	24.3	11.3	4.2
Asia	22.1	0.1	16.9	0.2
Other continents	1.3	3.6	1.4	4.3
Total	**412.4**	**37.3**	**383.1**	**16.8**

Operating segments	**2019**	**2019**	**2018 Restated***	**2018 Restated***
	Third parties	Related parties of Siemens AG	Third parties	Related parties of Siemens AG
Smart Infrastructure	204.7	28.2	180.9	4.2
Digital Industries	174.9	2.4	166.8	2.9
Portfolio Companies**	25.8	-	16.6	0.1
Real Estate	7.0	6.7	2.5	6.4
Others	-	-	16.3	3.2
Corporate Managed portfolio	-	-	0.0	-
Total	**412.4**	**37.3**	**383.1**	**16.8**

*Amounts shown here do not correspond to the 2018 financial statements and relate to adjustments made regarding Gas and Power (refer to note 15).

**Under the umbrella of the Portfolio Companies, Siemens has bundled several units which operate independently since 1 April 2019.

The amount of revenue recognized in the current period which was included in the contract liability at the end of the previous period was EUR 21.8 million (2018: EUR 35.5 million).

Order backlog

On 30 September 2019, order backlog was reported for EUR 149.4 million and this is expected to be recognized as revenue as follows:

Order backlog recognized as revenue:	Within 1 year		In the 1st subsequent year		After the 1st subsequent year		
	Third parties	Related parties of Siemens AG	Third parties	Related parties of Siemens AG	Third parties	Related parties of Siemens AG	**Total**
Smart Infrastructure	49.1	31.6	10.5	0.6	0.0	0.0	**91.8**
Digital Industries	34.4	0.8	2.2	0.0	-	-	**37.4**
Portfolio Companies*	18.2	0.0	2.0	0.0	-	-	**20.2**
Total	**101.7**	**32.4**	**14.7**	**0.6**	**0.0**	**0.0**	**149.4**

*Under the umbrella of the Portfolio Companies, Siemens has bundled several units which operate independently since 1 April 2019

(24) Finance income and expenses

Interest and similar income include an amount of EUR 0.0 million (2018: EUR 0.0 million) from affiliated companies. Other interest and similar expenses include an amount of EUR -1.1 million (2018: EUR -2.1 million) from affiliated companies. For more information, please refer to note 26 on related parties.

(25) Tax on profit from continuing operations

The tax expense (income) recognized in the company income statement breaks down as follows:

	2019	**2018**
Income taxes for the current period from continued operations	8.5	8.4
Income taxes for the current period from discontinued operations	-7.0	12.0
Total current tax	1.5	20.4
Deferred taxes for the current period from continued operations	-0.1	-1.2
Deferred taxes for the current period from discontinued operations	-0.0	-0.0
Total deferred tax	-0.1	-1.2
Total income tax for the current period	**1.4**	**19.2**

The reconciliation between the tax burden and the result of calculating the profit before tax, multiplied by the local tax rate, is as follows:

	2019	2018
Profit before tax (profit from continuing operations and profit from discontinued operations)	**5.1**	**420.6**
Tax at the locally applicable rate of 25,0% (2018: 25,0%)	1.3	105.1
Participation exemption regarding gain sale of Mobility	-	-20.5
Participation exemption regarding gain sale of Healthcare	-	-63.3
Participation exemption regarding gain sale of Mechanical Drives	-	-1.3
True up related to prior years	-	0.0
Other	0.1	-0.8
Tax burden	**1.4**	**19.2**

Siemens Nederland N.V. is part of a tax group headed by Siemens International Holding B.V. under which all parties are jointly and severally liable for the tax position.

(26) Related parties

Transactions with managing directors and key management personnel

Siemens Nederland N.V. has not issued loans to or entered into transactions with managing directors or managers.

Other related party transactions

The values of transactions involving goods and services with companies included in the scope of consolidation of Siemens AG were as follows:

	Transaction values	
	2019	**2018**
Purchases	331.0	299.0
Sales	37,3	16,8

	Interest		Balance outstanding	
	2019	**2018**	**2019**	**2018**
Loans issued and interest income (expense*)				
Siemens Financial Services (current)	-1.0	-2.1	95.0	570.0
Loans received and interest expenses				
Siemens Financial Services (non-current)	-	-	-	-
Cost of providing guarantees				
Siemens Financial Services	-0.1	-0.1	-	-
Cost of assuming credit risk				
Siemens Financial Services	0.0	0.0	-	-

The interest charged in the case of related parties is determined on an objective arm's length basis (EURIBOR plus a margin) and is settled within a maximum of six months of the end of the year. No collateral has been pledged for any balances.

The Company maintains a cash pool at the treasury department of Siemens AG, where balances are kept at market-related interest rates and from which loans are issued and/or raised.

* Interest is due on loans issued

(27) Compensation of executive management and the Supervisory Board

Siemens Nederland N.V. pays salaries and emoluments to the members of the Management Board and of executive management and contributes to pension plans on their behalf.

As of 30 September 2019, 9 executive managers (2018: 9) were members of the Executive Management Team, which includes the Management Board. Fiscal year 2018 does contain expenses related to one management board member who retired during the year and was given a post-retirement benefit. Their compensation breaks down as follows:

	2019	2018
Management Board (2 members (2018: 2 members))		
Short-term compensation	1.1	1.2
Pensions	0.0	0.0
Severance payment to former board member	-	1.1
Profit sharing and bonuses	0.4	0.5
Management Board total	**1.5**	**2.8**
Bonuses for the Management Board are subject to performance criteria.		
Executive Management Team (7 members (2018: 7 members))		
Short-term compensation	1.4	1.5
Pensions	0.4	0.1
Profit sharing and bonuses	0.4	0.3
Executive Management Team total	**2.2**	**1.9**
Total	**3.7**	**4.7**

The Supervisory Board had 4 members as of 30 September 2019 (2018: 4). They were paid compensation as follows:

	2019	2018
Compensation	0.1	0.1

(28) Rights to equity instruments

Stock awards

The expense recognized for employee services received during the year is shown in the following table:

	2019	2018
Expenses arising from cash-settled share-based payment transactions	0.5	0.5
Total expense arising from share-based payment transactions	**0.5**	**0.5**

For the Company the equity-settled shares are settled in cash to Siemens AG. The stocks awarded in equity are then fulfilled by Siemens AG.

In 2019, 4,419 (2018: 3,779) stock awards were granted to employees, of which 2,040 (2018: 1,870) to the Executive Management Team (including the Management Board).

	2019 Awards in absolute numbers	2019 Cumulative fair value	2018 Awards in absolute numbers	2018 Cumulative fair value
At beginning of fiscal year	18,443	2.0	28,614	3.4
Disposal Siemens Healthcare Nederland B.V.	-		-2,973	
Granted provisionally	15,427		6,056	
Awarded	-4,335		-5,878	
Forfeited/settled	-180		-5,888	
Transferred	-		-1,488	
At end of fiscal year	**29,355**	**2.9**	**18,443**	**2.0**

At the end of fiscal year 2017 the balance included 2,973 stock awards of the Healthcare business.
The transferred shares in 2018 relate to carve out of the Mobility business.

Fair value at the end of the fiscal year is calculated by multiplying the number of awards outstanding by the market value per share at the end of the fiscal year. The market value of the shares granted was EUR 98.45 as of 30 September 2019 compared with EUR 110.36 as of 30 September 2018.

Share Matching Plan

The expenses recognized for employee services received during the year is shown in the following table:

	2019	2018
Expenses arising from cash-settled share-based payment transactions	0.3	0.5
Total expenses arising from share-based payment transactions	**0.3**	**0.5**

For the Company the equity-settled shares are settled in cash to Siemens AG. The stocks awarded in equity are then fulfilled by Siemens AG.

In 2019, 997 (2018: 1,374) bonus shares were granted to employees, of which 19 (2018: 32) to the Executive Management Team (including the Management Board).

	2019 Awards in absolute numbers	2019 Cumulative fair value	2018 Awards in absolute numbers	2018 Cumulative fair value
At beginning of fiscal year	2,830	0.3	4,247	0.5
Disposal Siemens Healthcare Nederland B.V.	-		-759	
Granted	2,154		1,734	
Awarded	-927		-1,870	
Forfeited/settled	-898		-211	
Transferred	-		-311	
At end of fiscal year	**3,159**	**0.3**	**2,830**	**0.3**

The transferred shares in 2018 relate to the carve out of the Mobility and Mechanical Drives businesses.

Fair value at the end of the fiscal year is calculated by multiplying the number of bonus shares by the market value per share at the end of the fiscal year. The market value of the bonus shares issued was EUR 98.45 as of 30 September 2019 compared with EUR 110.36 as of 30 September 2018.

Siemens Profit Sharing

The Siemens Profit Sharing (SPS) constitutes a voluntary and discretionary, decided by the Siemens AG board, distribution of a part of the yearly Siemens Profit to employees below Senior Management of up to EUR 400 million annually in Siemens Profit Sharing pool. The related costs are accrued over the expected period and charged to all Siemens companies. Since this scheme is at the sole discretion of the Siemens AG board, no actual shares are awarded but only costs are accrued. Depending on Siemens AG, the amounts if paid, are settled in cash or shares of Siemens AG. For the Company equity-settled shares are settled in cash to Siemens AG. The stocks awarded in equity are then fulfilled by Siemens AG.

The expense recognized for the profit-sharing scheme during the year is shown in the following table:

	2019	2018
Expenses arising from cash-settled share-based payment transactions	-	0.7
Total expense arising from share-based payment transactions	**-**	**0.7**

For the Company the equity-settled shares are settled in cash to Siemens AG. The stocks awarded in equity are then fulfilled by Siemens AG.

(29) Employees

The number of employees, expressed as full-time equivalents, working for Siemens Nederland N.V. at year end was as follows:

	2019	2018
Operating companies	840	999
Management and staff departments	95	140
Total	**935**	**1.139**

On average these employees were employed in The Netherlands during the reporting period. The number of employees decreased in part because of the sale of the Mobility and Mechanical Drives businesses during 2018.

(30) Depreciation, amortization, and impairment losses

	2019	2018
Impairment	-	9.7
Property, plant, and equipment	1.4	4.1
Total	**1.4**	**13.8**

(31) Personnel costs

	2019	2018
Wages and salaries	74.7	89.6
Pension costs	6.4	7.7
Other social security costs	10.0	11.5
Total	**91.1**	**108.8**

(32) Joint operations

A small part of the Company's activities is carried out in joint arrangements classified as joint operations. The Group participates in 1 joint operation (2018: 1). These collaborative arrangements remain in place until a project is finished, and they are accordingly finite.

(33) Audit fees

On the basis of Book 2 of the Dutch Civil Code, part 9 section 382a (3), Siemens Nederland N.V. opts not to disclose the costs of the auditors, because Siemens AG includes these costs in its IFRS financial statements in accordance with EU requirements.

The Hague, 13 December 2019

Management Board:

H.J. Winters (Chairman)

W.G. van der Poel

Supervisory Board:

C.D. Kaeser (Chairman)

A.H.G. Rinnooy Kan

G.A. Verbeet

A. Al Refai

Other disclosures

Requirement in the Articles of Incorporation relating to the appropriation of profits

Article 22 (1) of the Articles of Incorporation reads as follows:

"The profit according to the approved income statement shall be at the disposal of the General Shareholders' Meeting."

Building a better working world

Independent auditor's report

To: the general shareholders' meeting and the supervisory board of Siemens Nederland N.V.

Report on the audit of the financial statements for the year ended 30 September 2019 included in the annual report

Our opinion

We have audited the accompanying financial statements for the year ended 30 September 2019 of Siemens Nederland N.V., based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Siemens Nederland N.V. for the year ended 30 September 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 company statement of financial position for the year ended 30 September 2019
- The following statements for the year ended: the company income statement, the company statements of comprehensive income, changes in equity and cash flows
- 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 Siemens Nederland N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Report on other legal and regulatory requirements

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
- Other information pursuant to 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.

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 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's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for 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.

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 have detected all material errors and fraud.

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 judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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
- 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.

Rotterdam, 12 December 2019

Ernst & Young Accountants LLP

signed by W.P. de Pater

Siemens Nederland N.V.

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