Consolidated Financial Statements

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)
Years Ended September 30, 2019 and 2018
With Report of Independent Auditors

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Contents

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Report of Independent Auditors

To the Member of
Siemens Capital Company LLC

We have audited the accompanying consolidated financial statements of Siemens Capital Company LLC, which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in member's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Siemens Capital Company LLC at September 30, 2019 and 2018, and the consolidated results of its operations and its consolidated cash flows for the years then ended in conformity with International Financial Reporting Standards.

Ernst + Young LLP

December 4, 2019

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

Consolidated Balance Sheets
(Dollars in Thousands)

		September 30	
	Note	**2019**	**2018**
Assets			
Current assets:			
Cash and cash equivalents	7	**$ 693,378**	$ 157,065
Receivables from affiliates, net	10	**8,397,609**	14,875,839
Positive fair value of derivatives	17, 19	**660,755**	385,055
Other current assets	11	**16,656**	571
Total current assets		**9,768,398**	15,418,530
Non-current assets:			
Long-term receivables from affiliates	10	**11,148,716**	15,877,182
Deferred income tax assets	6	**59,348**	6,867
Total non-current assets		**11,208,064**	15,884,049
Total assets		**20,976,462**	$ 31,302,579
Liabilities and Member's Equity			
Current liabilities:			
Liabilities to affiliates	12	**$ 7,809,250**	$ 13,121,111
Accrued liabilities	9, 15	**6,505**	5,753
Negative fair value of derivatives	17, 19	**771,938**	492,253
Short-term debt	13	**700,000**	700,001
Other current liabilities	14	**30,937**	70,003
Total current liabilities		**9,318,630**	14,389,121
Non-Current Liabilities:			
Long-term liabilities to affiliates	12	**10,792,839**	15,937,309
Other liabilities	16	**1,261**	1,247
Total non-current liabilities		**10,794,100**	15,938,556
Total liabilities		**20,112,730**	30,327,677
Member's equity	21	**863,732**	974,902
Total liabilities and member's equity		**$ 20,976,462**	$ 31,302,579

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income
(Dollars in Thousands)

		Year Ended September 30	
	Note	**2019**	**2018**
Interest income	10	**$ 965,802**	$ 970,864
Interest expense	12, 13	**(853,212)**	(861,876)
Net interest income		**112,590**	108,988
(Loss) gain on financial instruments, net	5	**(157,562)**	19,750
Reversal of expect credit losses on receivables from affiliates	10	**51,773**	
Other income	4	**6,472**	4,322
General and administrative expenses	9	**(13,016)**	(13,599)
Income before income taxes		**257**	119,461
Income tax benefit (provision)	6	**4,532**	(41,975)
Net income		**4,789**	77,486
Other comprehensive income:			
Deferred income tax on pension plan remeasurement due to tax reform		**–**	(197)
Pension plan actuarial (loss) gain, net of tax		**(6)**	77
Total comprehensive income, net of tax		**$ 4,783**	$ 77,366

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended September 30	
	2019	**2018**
Operating activities		
Net income	**$ 4,789**	$ 77,486
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax (income) expense	**(12,959)**	19,559
Unrealized market value loss (gain) on derivative financial instruments	**217,408**	(24,451)
Unrealized foreign exchange gain on affiliate loans	**(122,234)**	(520)
Reversal of allowance for doubtful accounts	**–**	(1,147)
Reversal of expected credit losses on receivables from affiliates	**(51,773)**	–
Decrease (Increase) in operating assets:		
Receivables from affiliates	**11,119,650**	8,077,871
Accounts receivables		374,804
Net fair value of derivatives	**(213,423)**	62,255
Other assets	**(16,086)**	(242)
(Decrease) increase in operating liabilities:		
Accrued liabilities	**752**	(444)
Pension liabilities	**(6)**	(120)
Other liabilities	**(39,083)**	(94,524)
Net cash provided by operating activities	**10,887,035**	8,490,527
Financing activities		
Payments of short-term debt	**(1)**	(19,750)
Payments of liabilities to affiliates, net	**(10,350,721)**	(8,625,872)
Net cash used in financing activities	**(10,350,722)**	(8,645,622)
Net increase (decrease) in cash and cash equivalents	**536,313**	(155,095)
Cash and cash equivalents at beginning of year	**157,065**	312,160
Cash and cash equivalents at end of year	**$ 693,378**	$ 157,065
Supplemental cash flow disclosures		
Cash received for interest from time deposits	**$ 4,964**	$ 3,661
Cash paid for interest on commercial paper	**$ 102,183**	$ 65,786

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Member's Equity
(Dollars in Thousands)

	Member's Capital				
	Common Stock	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Losses**	**Total Member's Equity**
Balance at September 30, 2017	$ 1	245,207	653,351	(991)	897,568
Net income	–	–	77,486	–	77,486
Siemens AG share-based compensation expense, net of tax	–	–	(32)	–	(32)
Pension plan actuarial gain, net of tax	–	–	–	77	77
Remeasurement of deferred income tax on pension plan due to tax reform	–	–	–	(197)	(197)
Balance at September 30, 2018	$ 1	$ 245,207	$ 730,805	$ (1,111)	$ 974,902
Impact on adopting IFRS 9 expected credit losses			(115,924)		(115,924)
Restated opening balance IFRS 9 expected credit losses	**$ 1**	**$ 245,207**	**$ 614,881**	**$ (1,111)**	**$ 858,978**
Net income			**4,789**	**–**	**4,789**
Siemens AG share-based compensation expense, net of tax	**–**	**–**	**(29)**	**–**	**(29)**
Pension plan actuarial gain, net of tax	**–**	**–**	**–**	**(6)**	**(6)**
Balance at September 30, 2019	**$ 1**	**$ 245,207**	**$ 619,641**	**$ (1,117)**	**$ 863,732**

**See accompanying notes to consolidated financial statements.*

1. Business

Siemens Capital Company LLC

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

Prior to April 1, 2019, the Company operated within the Treasury Group under the Siemens Financial Services ("SFS") Division of Siemens AG ("SFS Treasury"). The Company was also referred to as the "Regional Treasury Center Americas".

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

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

The Insurance business provides insurance coverage to protect Siemens in the Americas from insurable losses which might significantly impact its financial condition. Its portfolio covers a wide range of services, from qualified risk analyses to implementing global industrial insurance solutions and handling claims. It deals with pure risks that are characterized by chance occurrence

1. Business (continued)

and that may only result in a financial loss. The Insurance group of SCC is acting as an agent on behalf of SFS Inc. by managing insurance contracts under the name of Siemens Corporation. Therefore, SCC does not enter into insurance contracts under its own name or bear the risk of insurance loss.

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

With the CF F reorganization, the Company incorporates the objectives of the TFA and Insurance businesses into SCC overall business purpose. This includes providing insurance risk management as well as TFA services to the affiliates within the Americas region.

Siemens Credit Warehouse, Inc.

Siemens Credit Warehouse, Inc. (“SCWI”) was previously a wholly-owned subsidiary of SCC. SCWI was responsible for the concentration of short-term trade receivables and improving the credit risk management of the Siemens U.S. affiliates. During fiscal year 2018, SCWI ended the purchase of Accounts Receivables from the Siemens divisions as part of an overall change in strategy. All receivables were transferred to the applicable Divisions in August 2018 at fair market value. The ending of Accounts Receivables purchases had no material impact to the SCC Consolidated Statements of Comprehensive Income.

On July 31, 2019 SCC transferred its investment in the SCWI entity, at the carrying value of $4,835, to the Company’s parent, SC. Therefore, SCWI is no longer consolidated with SCC. The transactions related to the transfer are further discussed in Note 21. During fiscal year 2019, there were no transactions related to SCWI that affected the Consolidated Statements of Cash Flows.

2. Basis of Presentation and Statement of Compliance

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

The Company has applied all applicable standards and interpretations issued by the IASB, as approved by the EU, that were effective as of the beginning of the fiscal year 2019 and 2018. The consolidated financial statements are generally prepared using amounts that approximate fair market value, except for long-term receivables from affiliates and liabilities to affiliates which are on the historical cost basis as stated in Note 3, Summary of Significant Accounting Policies and Critical Accounting Estimates.

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

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

The consolidated financial statements were authorized for issuance by Company's Management on December 4, 2019.

3. Summary of Significant Accounting Policies and Critical Accounting Estimates

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, SCWI (through July 31, 2019, the date of ownership transfer to SC), over which the Company has control. For the consolidated financial statements, all assets, liabilities, income, expenses and cash flows of SCC with those of SCWI are combined up to the deconsolidation and ownership transfer of SCWI. Intra-group transactions and accounts are eliminated in consolidation.

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

Use of Estimates

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

Foreign Currency Transactions

Transactions that are denominated in a currency other than the functional currency of the Company and SCWI (until deconsolidation) are recorded at that functional currency applying the spot exchange rate as of the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are translated to functional currency applying the spot exchange rate as of that date. Gains and losses arising from these foreign currency revaluations are recognized in (Loss) gain on financial instruments, net and are included in net income. Those foreign currency-denominated transactions which are classified as non-monetary are translated using the historical spot exchange rate.

Income Taxes

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

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

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

available against deductible temporary differences and unused tax losses; then enabling income tax credits to be utilized.

Due to the enactment of the 2017 U. S. Tax Cuts and Jobs Act with an effective date of January 1, 2018, a prorated blended federal and state statutory tax rate for fiscal year 2018 was used, as further discussed in Note 6. The Company's provision for income taxes for fiscal year 2019 also includes an allocation from Siemens Corporation related to the Base Erosion Anti-Abuse Tax (BEAT) that is further discussed in Note 6.

Cash and Cash Equivalents

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

Financial Assets and Financial Liabilities

Date of Recognition

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

Classification of Financial Assets and Financial Liabilities

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

Measurement of Financial Assets

Financial assets which are primarily receivables from affiliates are classified as loans and receivables which are measured at amortized cost using the effective-interest method, less any impairment losses. Impairment losses on trade and receivables from affiliates are recognized using separate allowance accounts. Additional information regarding allowance accounts is discussed in Note 11.

Measurement of Financial Liabilities

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

Accrued Liabilities

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

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

Short Term Debt

For working capital purposes, the Company issues commercial paper which typically has a maturity of less than 90 days and is recorded at a discount. The carrying amount of commercial paper on the Consolidated Balance Sheets is equal to the face value less the amount of the discount.

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

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

The Company also participates in Siemens AG's share-based payment plans which include stock awards and a share matching plan. These share-based payment plans at Siemens AG are designed as equity-settled plans. Fair value is measured at grant date and is expensed over the vesting period. SCC incurs periodic costs, based on the set criteria, of these share-based payment plans for senior management and participating employees.

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

Interest Income and Expense

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

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

Other Income

Other income is related to pension management services provided to Siemens affiliates and is recognized when the services are performed. Other income also includes fees related to the Supply Chain Finance (SCF) Program up to March 31, 2019 and SCWI business activities for 2018. The SCF fees are recognized on an accrual basis in accordance with the service agreement with an external service provider as administrator. In 2019, Other income also includes Guarantee and Insurance fees starting from April 1, 2019.

General and Administrative Expenses

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

Expected Credit Loss (ECL) on Receivables from Affiliates

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

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of significant financial instruments at September 30, 2019 and 2018:

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

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

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

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

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

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

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

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

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

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

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

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

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), which requires that all derivative financial instruments, such as interest rate swap contracts and foreign currency exchange contracts, be recognized in the consolidated financial statements and be measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are recognized in the Consolidated Statements of Comprehensive Income.

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

For those derivative instruments in which the Company wants to obtain hedge accounting under IAS 39, SCC, in coordination with CF F, formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions on behalf of the Company. This documentation is maintained by SCC and CF F. The process includes linking all derivatives that are designated as fair value, cash-flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. The retrospective regression method was used to determine the hedge effectiveness of the economic relationship between the hedged item and the hedging instrument.

Changes in the fair value of a derivative that is effective and that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm

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

commitment of the hedged item that is attributable to the hedged risk, are recorded in the Consolidated Statement of Comprehensive Income. SCC only has fair value hedges in accordance with IAS 39 as of September 30, 2019 and 2018. There are no transactions related to cash flow or foreign currency hedges.

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

New and amended standards and interpretations

IFRS 9 Financial Instruments

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

SCC has adopted IFRS 9 for the year beginning October 1, 2018. SCC has applied the ECL retrospective valuation in the fiscal year 2019 opening balance sheet. The differences arising from the adoption of IFRS 9 have been recognized directly in Retained earnings as of October 1, 2018. The quantitative impact of applying IFRS 9 as of October 1,2018 is disclosed in Note 10.

SCC has not restated comparative information for 2018 regarding financial instruments that are in the scope of IFRS 9. Therefore, the comparative information for 2018 is reported under IAS 39 and is not comparable with the information presented for 2019.

IFRS 9 also updated the guidance for hedge accounting. The intent was to align the accounting treatment with risk management activities, enabling entities to reflect better these activities in their financial statements. SCC has elected as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. Additional and more detailed disclosures for hedge accounting are disclosed in Note 17.

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

Recent Accounting Pronouncements Not Yet Adopted

The following pronouncements, issued by the IASB, are not yet effective and have not been adopted by the company:

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers.* According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2019; early application is permitted. The Company has analyzed the impact of the new rules. No significant changes have been identified in the way the Company recognizes revenues. This determination was made based on a review of the new IFRS 15 implementation impact on the Company's main revenue streams, primarily interest income.

In January 2016, the IASB issued the new standard for accounting for leases, IFRS 16, *Leases.* The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognize most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognized leases but will have the option not to recognize 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to today's finance lease accounting, with interest and depreciation expense recognized separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company will adopt the standard for the fiscal year beginning as of October 1, 2019, by applying the modified retrospective approach, i.e., comparative figures for the preceding year would not be adjusted. The Company has assessed the impact of adopting IFRS 16 on the consolidated financial statements. The opening balance adjustment of the required assets and liabilities for the fiscal year 2020 is estimated to be $1,300 for the Company's one office space lease with SC.

In December 2016, the IASB issued IFRIC 22, *Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the

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

transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Since the Company's current practice is in line with the clarifications issued, the Company does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

4. Other Income

Included in other income is revenue related to Pension, Insurance, TFA, In-house Treasury and Accounting services provided to Siemens affiliates of $6,135 and $3,535 for fiscal year 2019 and 2018, respectively. TFA revenue is related to fees charged for processing internal and external guarantees.

Other income also includes fees from SCWI and SCF Program management activities in the amount of $337 and $787 for fiscal year 2019 and 2018, respectively.

(Dollars in Thousands, Unless Otherwise Noted)

5. (Loss) Gain on Financial Instruments, net

(Loss) gain on financial instruments, net includes realized and unrealized foreign exchange transactions and interest rate derivatives gains and losses. Also see Note 18 for a description of the Company's risk management strategies.

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

	2019	2018
Foreign exchange transactions results:		
Realized and unrealized derivatives results	**$ (101,349)**	$ (39,691)
Realized and unrealized balance sheet results	**65,631**	(5,450)
Interest rate derivatives results:		
Unrealized fair value hedge accounting adjustment	**(210,690)**	62,428
Realized and accrued interest–hedge accounting adjustment	**(12,452)**	(26,053)
Realized – Non hedge accounting results	**6,908**	33,756
Unrealized – Non hedge accounting results	**94,390**	(5,240)
Total (Loss) gain on financial instruments, net	**$ (157,562)**	$ 19,750

6. Income Taxes

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

	2019	2018
Federal:		
Current	**$ 4,124**	$ 16,465
Deferred	**(10,105)**	17,224
State:		
Current	**2,867**	4,353
Deferred	**(2,854)**	2,335
Foreign:		
Current	**1,436**	1,598
Total Income Tax (Benefit) Expense	**$ (4,532)**	$ 41,975

6. Income Taxes (continued)

Included in other current liabilities are federal, state, and foreign income taxes payable. The amount of income taxes payable as of September 30, 2019 and 2018 is $8,263 and $23,180, respectively.

Included in SCC's Fiscal Year 2019 Income Tax Provision is a $4,467 tax benefit allocation from Siemens Corporation regarding the Base Erosion Anti-Abuse Tax (BEAT) provision of the U.S. Tax Cuts and Jobs Act (the Act). The allocation method is mainly based on SCC's applicable foreign affiliate interest expense being allocated to the Siemens U.S. affiliates who borrow funds from the Company which has resulted in a favorable BEAT allocation for SCC in fiscal year 2019 and is a reduction in intercompany taxes payable to Siemens Corporation.

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

On December 22, 2017, the Act was signed into law. The Act includes a number of changes in existing tax law impacting businesses including, among other things, a permanent reduction in the corporate income tax rate from 35% to 21% effective January 1, 2018. Due to the enactment, the prorated blended federal and state statutory tax rate for fiscal year 2018 was 28.76% (23.16% for federal purposes after state tax benefit, and 5.6% for state tax purposes). The statutory tax rate applicable for fiscal year ending 2019 was 25.424% (19.824% for federal tax purposes after state tax benefit, and 5.6% for state tax purposes). For purposes of valuing deferred tax assets and liabilities at September 30, 2019 and 2018, the statutory tax rate utilized was 25.424%.

The Act's impacts reduced the Company's blended federal and state tax rate by almost 10%. During 2018, the Company recorded a deferred tax expense of approximately $9.6 million related to this reduction in the tax rate. The effective income tax rate is approximately (1,763.42%) and 35.14% for the year ended September 2019 and 2018, respectively. The difference between the effective income tax rate and the statutory tax rate for 2018 primarily pertains to the change in the value of deferred taxes at September 30, 2018 resulting from the reduction in the federal tax rate discussed above, and state and local taxes, net of federal tax benefit. The difference between the

(Dollars in Thousands, Unless Otherwise Noted)

6. Income Taxes (continued)

effective income tax rate and the statutory tax rate for 2019 primarily pertains to the BEAT tax benefit allocation from SC discussed above, and a deferred income tax benefit of $53,566 related to the impact from Hedge Accounting, which was offset by the implementation of IFRS 9 ECL on Receivables from affiliates that resulted in a deferred income tax expense adjustment of $13,163.

In assessing the realization of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers the scheduled reversal of deferred income tax assets, projected future taxable income, and tax planning strategies in making this assessment. Management believes that it is probable that the Company will generate sufficient taxable income in future years to realize the benefit of the deferred income tax assets. The amount of the net deferred income tax assets as of September 30, 2019 and 2018 was $59,348 and $6,867, respectively.

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

	2019	2018
Net assets:		
Unrealized market value of derivative financial instruments	**$ 132,551**	$ 78,701
Unrealized foreign exchange losses on affiliate loans	**(101,334)**	(74,484)
ECL on receivables from affiliates	**26,357**	–
Accrued interest – foreign affiliates	**273**	1,279
Other accruals	**1,501**	1,371
Total deferred income tax assets	**$ 59,348**	$ 6,867

(Dollars in Thousands, Unless Otherwise Noted)

7. Cash and Cash Equivalents

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

		2019		2018
Cash in U.S. banks	**$**	**113,451**	$	70,666
Cash in foreign banks		**34,209**		58,937
Time deposits in U. S. and foreign banks with original maturity of less than 90 days		**544,258**		25,399
Cash in margin accounts		**1,460**		2,063
Total cash and cash equivalents	**$**	**693,378**	$	157,065

8. Related-Party Transactions

The Company is a member of a group of affiliated and associated companies and enters into extensive transactions with affiliated companies of Siemens Corporation and Siemens AG.

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

The Company paid $20,818 and $33,143 of income taxes to Siemens Corporation, through the Siemens intercompany payment system, during the fiscal years ended September 30, 2019 and 2018 respectively. Siemens Corporation then submits the payment to the U.S. Federal and State tax authorities on the Company’s behalf. Furthermore, Siemens Corporation submits payments on behalf of the Company in the amount of $1,680 and $1,622 for the fiscal years ended September 30, 2019 and 2018 respectively, to the U.S. Federal tax authority for applicable U.S. withholding income taxes.

On September 10, 2018, the Company was assigned a note receivable from an affiliated company with a principal of $1,048,153 and accrued interest of $18,516 in exchange for a reduction of receivables from the affiliate due beyond one year with a principal of $995,740 and accrued interest of $16,353. The early termination resulted in fees of $10,650 that is included in net interest income. The Company subsequently assigned this note receivable from the affiliated company with a

(Dollars in Thousands, Unless Otherwise Noted)

8. Related-Party Transactions (continued)

principal of $1,048,153 and accrued interest of $18,516 in exchange for a reduction of a liability due within one year with another affiliated company.

9. Personnel Costs

The amounts disclosed in the following table are the amounts recognized as an expense related to personnel during the years ended September 30, 2019 and 2018:

	2019	2018
Wages and salaries	**$ 6,834**	$ 6,530
Statutory social welfare contributions and employee benefits	**1,080**	1,593
Expenses relating to pension plans and Other Post-Employment Benefits (OPEB)	**58**	94
Total Personnel Costs	**$ 7,972**	$ 8,217

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of SCC and its employees. The Company considers senior management and the business area heads to be key management personnel. The aggregate compensation of key management personnel which includes salaries, bonus, and expenses related to pension and employee benefits was targeted at $2,858 for fiscal year 2019 and was paid in the amount of $2,731 for fiscal year 2018, respectively. The accrued bonus of $672 and the actual bonus paid of $674 were included in fiscal year 2019 and 2018 compensation, respectively. The annual bonus payment is executed in December.

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables From Affiliates, net

The Company provides In-house Treasury services to affiliates and as of September 30, 2019 and 2018, the Company holds receivables from affiliates as follows:

	2019	2018
Receivables from affiliates, net due within one year (interest rates range from -0.3% to 9.5% in fiscal year 2019 and -0.3% to 9.0% in fiscal 2018)	**$ 8,397,609**	$ 14,875,839
Receivables from affiliates due beyond one year (interest rates range from -0.1% to 5.6% in fiscal year 2019 and 1.1% to 5.6% in fiscal 2018)	**11,148,716**	15,877,182

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

	Amount
Fiscal year ending September 30:	
2020	$ 8,501,280
2021	1,459,051
2022	1,156,530
2023	1,393,824
2024	978,554
Thereafter	6,160,757

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables From Affiliates, net (continued)

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

	2019	**2018**
Siemens Corporation	**$ 970,488**	$ 6,018,714
Siemens Financial Services Division	**4,516,377**	4,632,713
Power and Gas Division	**1,563,579**	2,895,534
Digital Factory Division	**485,245**	578,443
Other Siemens Divisions	**965,591**	750,435
Total receivables from affiliates due within one year	**$ 8,501,280**	$ 14,875,839
Expected credit loss on receivables from affiliates	**$ (103,671)**	$ -
Total receivables from affiliates net	**$ 8,397,609**	$ 14,875,839

Receivables from affiliates due within one year and beyond one year significantly decreased in fiscal year 2019 due to repayments received during April and September 2019 from the Power and Gas and Digital Factory Divisions in connection with their Siemens U.S. recapitalization and reorganizations under Siemens AG.

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

	2019	**2018**
Siemens Financial Services Division	**$ 6,170,304**	$ 6,417,854
Power and Gas Division	**1,724,240**	5,254,647
Digital Factory Division	**2,728,588**	3,504,260
Other Siemens Divisions	**525,584**	700,421
Total receivables from affiliates due beyond one year	**$ 11,148,716**	$ 15,877,182

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables From Affiliates, net (continued)

Interest income related to receivable from affiliates is as follows:

	2019	**2018**
Siemens Financial Services Division	**$ 321,037**	$ 271,491
Siemens Corporation	**201,173**	193,271
Power and Gas Division	**196,286**	227,584
Digital Factory Division	**146,043**	200,123
Healthcare Division	**-**	47,322
Other Siemens Divisions	**96,426**	27,414
Total interest income related to receivables from affiliates	**$ 960,965**	$ 967,205

The implementation of IFRS 9, ECL requirement for Receivables from affiliates resulted in an Allowance for doubtful accounts retroactive adjustment of $ 155,444 effective October 1, 2018 that was recorded as a reduction in Retained earnings. The related deferred income tax benefit of $39,520 was also recorded in Retained earnings. The decrease in the Allowance for doubtful accounts for the fiscal year 2019 of $51,773 was recorded in the Consolidated Statements of Comprehensive Income and mainly related to the significant decrease in both Receivables from affiliates due within one year and beyond one year. The ECL is included as a reduction of Receivables from affiliates due within one year as it is considered a current contra asset. SCC utilizes the IFRS 9 general approach (3-Stage model). As of September 30, 2019, all SCC Receivables from affiliates are categorized as Stage 1 assets.

The applicable allowance rate equals the multiplication of Probability of Default (PD) and Loss in Event of Default (LiED). Probability of Default is based on the counterparty's rating and the remaining tenor of the financial asset in question. For Stage 1 assets a maturity of up to 12 months is to be used to determine the PD. For example, if a loan is granted with a tenor of one month, the applicable PD would only be the one month PD. Loss in Event of Default equals the difference between the exposure at the point in time that default occurs and the expected amount that can be repaid (i.e. the cash shortfall). The LiED is the amount which the lender would not be able to recover if the borrowing Siemens entity defaulted on their obligation. SCC uses the standardized Siemens LiED assumption of 45% for investment grade obligors and 75% for non-investment grade obligors.

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables From Affiliates, net (continued)

The Receivables from U.S. owned affiliates of Siemens Corporation, which comprise the majority of SCC's intercompany receivables, are guaranteed by Siemens Corporation in an agreement dated September 23, 2019 for up to a maximum value of $20 billion through September 30, 2024.

11. Other Current Assets

Other current assets are mainly receivables from a non-consolidated affiliate in fiscal year 2019 and program fees receivable from the Supply Chain Finance Program's external service provider in 2018.

12. Liabilities to Affiliates

Liabilities to affiliates include the following as of September 30:

	2019	2018
Liabilities to affiliates due within one year (interest rates range from -1.25% to 8.25%in fiscal year 2019 and from -1.15% to 7.8% in fiscal year 2018)	**$ 7,809,250**	$ 13,121,111
Liabilities to affiliates due beyond one year (interest rates range from -0.19% to 4.59% in fiscal year 2019 and from 1.52% to 4.59%in fiscal year 2018)	**10,792,839**	15,937,309

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

	Amount
Fiscal year ending September 30:	
2020	$ 7,809,250
2021	726,150
2022	0
2023	0
2024	1,048,138
Thereafter	8,609,411

(Dollars in Thousands, Unless Otherwise Noted)

12. Liabilities to Affiliates (continued)

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

	2019	2018
Corporate related affiliates	**$ 3,648,300**	$ 6,690,319
Siemens Financieringsmaatschappij N.V. (SFM)	**900,703**	2,106,873
Siemens Finance B.V.	**301**	2,802,157
Power and Gas Division	**2,365,796**	935,069
Other Siemens Divisions	**894,150**	598,874
Liabilities to affiliates due within one year	**7,809,250**	13,133,292
Hedge Accounting Adjustment (SFM)	**0**	(12,181)
Total liabilities to affiliates due within one year	**$ 7,809,250**	$ 13,121,111

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

	2019	2018
Siemens Financieringsmaatschappij N.V. (SFM)	**$ 7,655,111**	$ 10,904,550
Siemens Finance B.V.	**2,728,588**	4,822,128
Liabilities to affiliates due beyond one year before hedge accounting	**10,383,699**	15,726,678
Hedge Accounting Adjustment (SFM)	**409,140**	210,631
Total liabilities to affiliates due beyond one year	**$ 10,792,839**	$ 15,937,309

Liabilities to affiliates due within and beyond one year significantly decreased and changed in fiscal year 2019 due to repayments received during April and September 2019 from the Power and Gas and Digital Factory Divisions in connection with the Siemens U.S. recapitalization and reorganization under Siemens AG. As a result of repayments, SCC decreased its borrowings from the Power and Gas Division, SFM and Siemens Finance B.V.

(Dollars in Thousands, Unless Otherwise Noted)

12. Liabilities to Affiliates (continued)

Interest expense related to liabilities to affiliates is as follows:

	2019	2018
SFM and SF BV	**$ 563,178**	$ 637,187
Corporate related affiliates	**146,690**	137,127
Siemens AG	**11,593**	4,443
Digital Factory Division	**10,637**	15,017
Power and Gas Division	**19,154**	17,188
Other Siemens Divisions	**12,206**	11,084
Subtotal interest expense before hedge accounting	**763,458**	822,046
Hedge Accounting interest adjustment – Siemens AG	**(12,452)**	(26,053)
Total interest expense related to liabilities to affiliates	**$ 751,006**	$ 795,993

On February 16, 2012, the Company entered into a $1,404,000 term loan with SFM that matured on August 16, 2019. Additionally, on February 16, 2012, the Company entered into an interest rate swap for $1,404,000 with Siemens AG to hedge the interest rate risk associated with the aforementioned term loan that also matured on August 16, 2019.

On September 10, 2012, the Company entered into a £350,000 term loan with SFM maturing on September 10, 2025, and a £650,000 term loan with SFM maturing on September 10, 2042. Additionally, on September 10, 2012, SCC entered into a £350,000 and £650,000, USD and Pound Sterling (GBP) cross-currency interest rate swaps and GBP interest rate swaps with Siemens AG that both mature on September 10, 2025 and September 10, 2042, respectively to hedge the foreign exchange and interest rate risk associated with the above GBP loans.

Effective October 1, 2012, the Company implemented hedge accounting for the above fixed-rate £1 billion borrowing and related interest rate swap hedges. Hedge accounting adjustments including ineffectiveness of $(198,509) and $46,461 are included in the carrying amount of the debt obligations as a result of the (losses) and gains recorded in fiscal year 2019 and 2018, respectively.

12. Liabilities to Affiliates (continued)

Effective October 1, 2013, the Company implemented hedge accounting for the above fixed-rate $1,404,000 borrowing and related interest rate swap hedge which matured on August 16, 2019 as noted above. The hedge accounting adjustment including ineffectiveness of $(12,181) was recorded in (Loss) gain on financial instruments, net in fiscal year 2019. The hedge accounting adjustment of $15,967 was included in the carrying amount of the debt obligations as of September 30, 2018 as a result of the recorded (losses) and gains.

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

The Company has recorded an unrealized fair market value loss of $83,733 and gain of $61,268 as of September 30, 2019 and 2018, respectively in connection with the cross-currency interest rate swaps which is included in (Loss) gain on financial instruments, net.

On September 5, 2019 the Company entered into €1,796,455 Term Loans with SFM that mature through September 2029. The Company has revalued the loans to $1,956,155 as of September 30, 2019 with recording the unrealized foreign exchange results in Consolidated Statements of Comprehensive Income. The Company also entered into USD FX Swaps of $1,969,588 in exchange for the €1,796,455. Applicable unrealized market valuations have been recorded in Positive and Negative fair market values of derivatives on the balance sheet as of September 30, 2019.

SCC has entered into master loan agreements with SFM and SF BV and intends to continue obtaining funding from SFM and SF BV. Borrowings from SFM and SF BV consist of both floating as well as fixed rate loans. SFM and SF BV have agreed that any subsequent lending to SCC by SFM and SF BV will be continued for periods exceeding twelve months from September 30, 2019. The loans payable to SFM and SF BV are guaranteed by Siemens Corporation in agreements dated August 18, 2015 and September 19, 2017, respectively. Siemens Corporation guarantees SFM loans for up to $25 billion through September 30, 2020 and SF BV loans for up to $20 billion through September 30, 2022.

(Dollars in Thousands, Unless Otherwise Noted)

13. Short-Term Debt

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

	2019		2018	
	Face Value	**Carrying Value**	**Face Value**	**Carrying Value**
Commercial paper (Interest rate is 2.08% in fiscal year 2019 and 2.33% in 2018)	**$ 703,741**	**$ 700,000**	$ 704,194	$ 700,001

Commercial Paper Program

For working capital purposes, the Company has agreements with financial institutions under which it may issue up to $9 billion of commercial paper under a global multi-currency commercial paper program including the ability to issue USD extendable notes, guaranteed by Siemens AG. In fiscal year 2019 and 2018, the Company issued commercial paper in varying amounts to fund the ongoing short-term capital requirements of the Siemens North American affiliates. Typically, these commercial paper issuances have a maturity of less than 90 days. Interest rates ranged from 1.85% to 2.75% in fiscal year 2019 and 1.08% to 2.33% in fiscal year 2018. The total interest expense on commercial paper is $102,087 and $65,783 in fiscal year 2019 and 2018, respectively.

Credit Facilities

The Company participates in credit facilities which are available for general corporate purposes. The credit facilities as of September 30, 2019 and 2018 consisted of $7,622,300 and $8,151,320, respectively in committed unused lines of credit.

The outstanding credit facilities as of September 30, 2019 includes a €7 billion facility agreement that was entered into on February 28, 2019 with a syndicate of international banks. The facility includes a multicurrency revolving facility agreement incorporating a swingline facility and expires on February 28, 2024 with a one year extension option.

13. Short-Term Debt (continued)

Debt Issuance Program

The Company also participates in a Debt Issuance Program with Siemens AG as lead sponsor, whereby the Company may issue up to €25 billion of debt instruments. Currently, the Company does not have any debt instruments issued or outstanding under the program. All debt instruments are unconditionally and irrevocably guaranteed by Siemens AG.

14. Other Current Liabilities

Included in Other current liabilities are liabilities for income taxes payable (see Note 8) as well as checks and wire transfer payments that are outstanding due to timing. The Company processes payments on behalf of the Siemens North American affiliates through Siemens AG's in-house banking systems.

15. Accrued Liabilities

Accrued liabilities are mainly related to employee bonuses and fringe benefits. At September 30, 2019 and 2018, the accrued bonus expenses are $1,509 and $1,505, respectively. Fringe benefits include items such as employee payroll taxes, insurance, health and welfare related costs. At September 30, 2019 and 2018, the accrued fringe benefits are $4,211 and $3,826, respectively. Other accrued liabilities include liabilities related to vacation, salary and bank fees.

16. Other Liabilities

Other liabilities primarily consist of liabilities related to pension and other post-employment benefit plans. At September 30, 2019 and 2018, the Company's pension plan and other post-employment liabilities were $1,261 and $1,247, respectively.

17. Derivative Financial Instruments and Hedging Activities

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

17. Derivative Financial Instruments and Hedging Activities (continued)

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

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

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

Foreign Currency Exchange Risk Management

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

Acting in a centralized treasury capacity primarily on behalf of the Siemens AG North American affiliates, SCC assumes the risk of fluctuations of foreign currencies that arise from the international activities of these companies by entering into foreign exchange rate derivative contracts with the respective entities. Additional foreign exchange rate risk exists on the Company's foreign currency denominated liabilities to affiliates. The Company mitigates its foreign currency exchange rate exposure associated with fluctuations in foreign currency

17. Derivative Financial Instruments and Hedging Activities (continued)

denominated intercompany borrowings and foreign currency exchange contracts with affiliates by entering into foreign exchange and cross-currency interest rate derivatives with unrelated third-party financial institutions and Siemens AG. The affiliate and third-party derivative financial instruments are recorded at fair value in the consolidated balance sheets, and the changes in fair value are included in the Consolidated Statements of Comprehensive Income in accordance with IAS 39.

Transaction Risk and Currency Management

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

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

Each Siemens affiliate is responsible for recording, assessing, monitoring, reporting, and hedging its foreign currency transaction exposure. The Siemens AG guidelines, for its subsidiaries, provide the concepts for the identification and determination of the single net currency position and mandates companies hedge: at least 75% but no more than 100% of their net foreign currency exposure. In addition, the Corporate Finance department of Siemens AG provides a framework of the organizational structure necessary for foreign currency exchange management, proposes hedging strategies, and defines the hedging instruments available to the entities: spot contracts, forward contracts, currency swaps, currency put and call options and stop-loss orders. The execution of the hedging transactions in the global financial markets is done by the Company as a service provider primarily for the Siemens AG North American affiliates on behalf of the worldwide Corporate Treasury function.

The VaR relating to foreign currency exchange rates is calculated by using the net currency positions, in each currency, after hedging. The VaR based on a ten day holding period and a confidence level of 99.5% resulted in a VaR of $41 as of September 30, 2019, compared to a VaR of $183 as of September 30, 2018. Changes in USD values of future cash flows denominated in foreign currency due to volatile foreign exchange rates might influence the unhedged net positions.

17. Derivative Financial Instruments and Hedging Activities (continued)

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

The Company aggregates the net foreign exchange rate exposure of its operations. As of September 30, 2019 and 2018, a 10% negative/positive shift of the USD against all foreign currencies would have resulted in an insignificant change in future cash flows for fiscal year 2019 and 2018, respectively. Future changes in the foreign exchange rates can impact net income, the extent of which is determined by the matching of foreign currency gains and losses.

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

17. Derivative Financial Instruments and Hedging Activities (continued)

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

	2019						
	EUR	**CAD**	**MXN**	**GBP**	**AUD**	**Other**	**Total**
				(In Millions USD)			
Balance sheet – financial receivables	**$ 333**	**$ 928**	**$ 136**	**$ 142**	**$ 69**	**$ 34**	**$ 1,642**
Balance sheet – financial liabilities	**(2,229)**	**(281)**	**(192)**	**(1,931)**	**(50)**	**(27)**	**(4,710)**
Net balance sheet exposure	**(1,896)**	**647**	**(56)**	**(1,789)**	**19**	**7**	**(3,068)**
Foreign exchange transaction exposure – third parties	**2,559**	**(817)**	**257**	**102**	**(24)**	**311**	**2,388**
Foreign exchange transaction exposure – affiliates	**(661)**	**167**	**(202)**	**1,688**	**4**	**(319)**	**677**
Economically hedged exposure	**$ 1,898**	**$ (650)**	**$ 55**	**$ 1,790**	**$ (20)**	**$ (8)**	**$ 3,065**
Change in future cash flows after hedging activities resulting from a 10% depreciation of the USD	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

	2018						
	EUR	**CAD**	**MXN**	**GBP**	**AUD**	**Other**	**Total**
				(In Millions USD)			
Balance sheet – financial receivables	$ 351	$ 1,014	$ 117	$ 194	$ 100	$ 37	$ 1,813
Balance sheet – financial liabilities	(234)	(343)	(146)	(1,820)	(88)	(39)	(2,670)
Net balance sheet exposure	117	671	(29)	(1,626)	12	(2)	(857)
Foreign exchange transaction exposure – third parties	228	(333)	187	91	(17)	191	347
Foreign exchange transaction exposure – affiliates	(346)	(341)	(159)	1,536	5	(192)	503
Economically hedged exposure	$ (118)	$ (674)	$ 28	$ 1,627	$ (12)	$ (1)	$ 850
Change in future cash flows after hedging activities resulting from a 10% depreciation of the USD	$ –	$ (1)	$ –	$ –	$ –	$ –	$ (1)

17. Derivative Financial Instruments and Hedging Activities (continued)

As of September 30, 2019 and 2018, the Company had total forward foreign exchange contracts outstanding with notional USD equivalent amounts of $13,163,458 and $8,459,535 and had unrealized net losses of $434,072 and $335,676 in 2019 and 2018, respectively. The fair value of the above forward foreign exchange contracts is reflected in Positive fair value of derivatives of $203,247 and $133,115 as of September 30, 2019 and 2018, respectively, and in Negative fair value of derivatives of $637,319 and $468,791 as of September 30, 2019 and 2018, respectively.

A portion of foreign exchange contracts outstanding includes a notional USD equivalent of $4,860,841 and $3,234,611 related to the North American Affiliates, which had unrealized net gains of $76,158 and $10,729 in fiscal year 2019 and 2018, respectively. The foreign exchange contracts also include a cross currency interest rate swaps related to Siemens AG with a notional amount of $2,082,381 and $1,955,150 in fiscal year 2019 and 2018 which had unrealized net losses of $417,881 and $337,657 in fiscal year 2019 and 2018, respectively.

Interest Rate Risk Management

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

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

Assuming historical volatilities and correlations, a ten day holding period and a confidence level of 99.5% the VaR on the interest rate portfolio was $88,658 and $11,853 as of September 30, 2019 and 2018, respectively.

17. Derivative Financial Instruments and Hedging Activities (continued)

Fair Value Hedging of Fixed-Rate Debt Obligations

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

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

Effective October 1, 2013, the Company implemented hedge accounting for its fixed-rate $1,404,000 borrowing which is also mentioned in Note 12.

The notional values of the related swap agreements of $1,229,381 and $2,708,632, in fiscal year 2019 and 2018, respectively resulted in an unrealized gain of $212,867 compared to an unrealized loss of $60,923 in fiscal year 2019 and 2018, respectively. Hedge accounting adjustments in the carrying amount of the debt obligations resulted in a loss of $211,379 and a gain of $62,629 in fiscal year 2019 and 2018, respectively. Accordingly, the net effect recognized in (Loss) gain on financial instruments, net excluding the ineffective portion of the hedging relationship, amounts to a gain of $1,487 and $1,706 for fiscal year 2019 and 2018, respectively. The hedging ineffectiveness for fiscal year 2019 and 2018 is $690 income and $201 expense, respectively. The main reason of ineffectiveness for the GBP transactions is that the interest rates between the loans and the corresponding interest rate swaps do not match. Net cash receipts and payments relating to the above-mentioned interest rate swap agreements are also recorded in (Loss) gain on financial instruments, net.

Additionally, the positive market value difference at inception, October 1, 2012, amounted to $28,238 which is amortized using the effective yield method over the original 13 and 30 years life of the £1 billion loans. The positive market value difference at inception, October 1, 2013, amounted to $9,197 which was amortized using the effective yield method over the original six years life of the $1,404,000 loan which matured on August 16, 2019. The amortization amount

17. Derivative Financial Instruments and Hedging Activities (continued)

included in the above noted adjustments in the carrying amount of the debt obligations for fiscal year 2019 and 2018 was $2,157 and $2,395, respectively which is recognized in the Consolidated Statements of Comprehensive Income as adjustments to (Loss) gain on financial instruments, net. The remaining unamortized positive market value difference regarding the loans as of September 30, 2019 and 2018 is $21,964 and $24,121, respectively which will be amortized over the remaining life of the loans as stated above.

Non-Hedging Interest Rate Derivative Financial Instruments

The Company holds interest rate swap contracts to pay variable rates of interest of an average of 2.50% and 2.56% as of September 30, 2019 and 2018, respectively and receives rates of interest of an average rate of 2.07% and 2.20% as of September 30, 2019 and 2018, respectively relating to the economically hedged receivables from and liabilities to affiliates. As of September 30, 2019 and 2018, the Company had external interest rate swap contracts with notional amounts of $115,428 and $124,228, respectively. The notional amount of indebtedness with economic hedges as of September 30, 2019 and 2018 was $4,477,835 and $2,881,043, respectively and is related to interest rate swaps with Siemens AG. The notional amount of interest rate futures contracts as of September 30, 2019 and 2018 amounts to $164,764 and $995,000, respectively.

The notional amounts of these contracts mature at varying dates based on the maturity of the underlying hedged items. All interest rate derivative instruments that do not qualify for hedge accounting under IAS 39 are recorded at net fair value (including accrued interest) with the changes in fair value (including accrued interest) recognized in (Loss) gain on financial instruments, net. The fair value of these derivatives is reflected in Negative fair value of derivatives in the amount of $134,620 and $9,512 as of September 30, 2019 and 2018, respectively, and Positive fair value of derivatives in the amount of $37,785 and $32,267 as of September 30, 2019 and 2018, respectively. The net realized and unrealized (losses) and gains related to interest rate derivatives were recorded in (Loss) gain on financial instruments, net in the amount of $(121,844) and $64,891 for the years ended September 30, 2019 and 2018, respectively.

(Dollars in Thousands, Unless Otherwise Noted)

17. Derivative Financial Instruments and Hedging Activities (continued)

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

	2019	2018
Derivatives designated as hedging instruments under IAS 39		
Interest rate swap contracts	**$ 1,229,381**	$ 2,708,632

	2019	2018
Derivatives not designated as hedging instruments under IAS 39		
Interest rate swap contracts	**$ 4,593,263**	$ 3,005,271
Foreign exchange contracts	**13,163,458**	8,459,535
Futures contracts	**164,764**	995,000
Total	**$ 17,921,485**	$ 12,459,806

(Dollars in Thousands, Unless Otherwise Noted)

17. Derivative Financial Instruments and Hedging Activities (continued)

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

	Positive Fair Value of Derivatives		Negative Fair Value of Derivatives	
	2019	**2018**	**2019**	**2018**
	Fair Value	**Fair Value**	**Fair Value**	**Fair Value**
Derivatives designated as hedging instruments under IAS 39				
Interest rate contracts	**$ 419,724**	$ 219,673	**$ 0**	$ 13,950

	Positive Fair Value of Derivatives		Negative Fair Value of Derivatives	
	2019	**2018**	**2019**	**2018**
	Fair Value	**Fair Value**	**Fair Value**	**Fair Value**
Derivatives not designated as hedging instruments under IAS 39				
Interest rate swaps	**$ 37,785**	$ 32,267	**$ 134,620**	$ 9,512
Foreign exchange contracts	**203,246**	133,115	**637,318**	468,791
Total	**$ 241,031**	$ 165,382	**$ 771,938**	$ 478,303

(Dollars in Thousands, Unless Otherwise Noted)

17. Derivative Financial Instruments and Hedging Activities (continued)

The following are the effect of the derivative instruments in the Consolidated Statements of Income for the years ended September 30:

Derivatives Not Designated as Hedging Instruments Under IAS 39	**Location of (Loss)Gain Recognized in Income**	**Amount of (Loss)Gain Recognized in Income**	
		2019	**2018**
Interest rate swaps and futures contracts	(Loss) gain on financial instruments, net	**$ (121,844)**	$ 64,891
Foreign exchange contracts	(Loss) gain on financial instruments, net	**(102,226)**	(39,700)
Total		**$ (224,070)**	$ 25,191

18. Financial Risk Management

Credit Risk Management

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

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

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

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

18. Financial Risk Management (continued)

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

Liquidity Risk Management

Liquidity risk results from the Company's potential inability to meet its financial liabilities including settlement of its financial debt, or for ongoing cash requirements from operating activities. Because the Company's funding is primarily through its affiliates, the liquidity risk is that funding may not be available to the Company to enable it to meet its obligations if the affiliates are unable or unwilling to provide the necessary funding. The Company has $8.6 billion of borrowings from SFM and $2.7 billion of borrowings from SF BV as of September 30, 2019 primarily assumed to fund continuing operations. The Company has agreed with SFM and SF BV that SFM and SF BV will not demand repayment of any portion of the balance outstanding or repayment of any such additional funds as may be required by the Company on or prior to October 1, 2020.

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

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

19. Fair Value of Financial Instruments

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

(Dollars in Thousands, Unless Otherwise Noted)

19. Fair Value of Financial Instruments (continued)

approximates fair value, are not included in the table contained herein. Such assets and liabilities include cash and cash equivalents, Receivables from affiliates, net – current, Positive fair value of derivatives, Other current assets, Deferred income tax assets, Liabilities to affiliates – current, Accrued liabilities, Negative fair value of derivatives, Other current liabilities, and Other liabilities.

The fair value estimates made as of September 30, 2019 and 2018, were based upon pertinent market data and relevant information on the financial instrument at that time. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire portion of the financial instrument. Since no market exists for a portion of the financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The following table presents the carrying values and fair values of the Company's financial instruments as of September 30:

	2019		**2018**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial instruments included in the consolidated balance sheets:				
Assets:				
Long-term receivables from affiliates	**$ 11,148,716**	**$ 13,189,674**	$ 15,877,182	$ 16,701,548
Liabilities:				
Short-term debt	**700,000**	**703,741**	700,001	704,194
Long-term liabilities to affiliates	**10,792,839**	**12,897,063**	15,937,309	16,786,053

(Dollars in Thousands, Unless Otherwise Noted)

19. Fair Value of Financial Instruments (continued)

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

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Long-term receivables from affiliates	**$ –**	**$ 13,189,674**	**$ –**	**$ 13,189,674**
Derivative financial instruments	**–**	**660,775**	**–**	**660,775**
Total	**$ –**	**$ 13,850,449**	**$ –**	**$ 13,850,449**
Financial liabilities measured at fair value:				
Short-term debt	**$ –**	**$ 703,741**	**$ –**	**$ 703,741**
Long-term liabilities to affiliates		**13,306,203**		**13,306,203**
Derivative financial instruments	**–**	**771,938**	**–**	**771,938**
Total	**$ –**	**$ 14,781,882**	**$ –**	**$ 14,781,882**

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Long-term receivables from affiliates	$ –	$ 16,701,548	$ –	$ 16,701,548
Derivative financial instruments	–	385,055	–	385,055
Total	$ –	$ 17,086,603	$ –	$ 17,086,603
Financial liabilities measured at fair value:				
Short-term debt	$ –	$ 704,194	$ –	$ 704,194
Long-term liabilities to affiliates	–	16,996,684	–	16,996,684
Derivative financial instruments	–	492,253	–	492,253
Total	$ –	$ 18,193,131	$ –	$ 18,193,131

The Company did not hold any Level 1 and 3 assets or liabilities in fiscal year 2019 and 2018.

20. Commitments and Contingencies

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

The net rental payments were $488 and $503 for fiscal year 2019 and 2018, respectively. At September 30, 2019, the future minimum rental payments, excluding renewal options, are $1,469 under these leases maturing on September 30, 2022. See Note 3 for information related to IFRS 16, Leases which will be adopted in fiscal year 2020.

SCC entered into eight forward-starting loans with an affiliated company. The total nominal value of the loans is $266,632 with tenors ranging from 6 to 21 months and with a maximum maturity through March 2022. The resulting loans will be covered by the Siemens Corporation guarantee. The resulting credit risk has been determined to be insignificant to include in the ECL calculation.

21. Member's Equity

The Company is a limited liability company directly and wholly owned by Siemens Corporation who is its sole member. The Company has no shares and no authorized share equity as of September 30, 2019 and 2018.

On May 31, 2019, SCC made a capital contribution of $4,835 to SCWI in order to cover the accumulated deficit. The recapitalization had no cash flow effect as SCWI used the contribution to repay their intercompany payable owed to SCC in the same amount as the capital contribution.

On July 31, 2019 SCC declared a dividend in kind and transferred its $4,835 investment in the SCWI entity to the Company's parent, SC. Since this was a distribution in kind, there was no cash flow effect on the Company financial statements.

22. Subsequent Events

The Company has evaluated subsequent events through December 4, 2019 and has determined that no subsequent events have occurred that would require disclosure in the consolidated financial statements or accompanying notes other than the termination and repayment of Liabilities to affiliates, SFM of $3,646,356 which resulted in the increase in commercial paper by about $3,000,000 and a reduction of Receivables from affiliates, Siemens AG of $650,000. The termination of the SFM loan borrowings resulted in market value compensation interest expenses of $30,238.