FINANCIAL STATEMENTS

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)
Years Ended September 30, 2023 and 2022
With Report of Independent Auditors

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Financial Statements

Years Ended September 30, 2023 and 2022

Contents

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Report of Independent Auditors

To the Member of Siemens Capital Company LLC

Opinion

We have audited the financial statements of Siemens Capital Company LLC (the Company), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of comprehensive income, cash flows and changes in member's equity for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards promulgated by the International Accounting Standards Board, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

December 5, 2023

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

Balance Sheets
(Dollars in Thousands)

	Note	September 30 2023	September 30 2022
Assets			
Current assets:			
Cash and cash equivalents	7	**$ 319,560**	$ 454,720
Trade and other receivables		**719**	553
Receivables from affiliates, net	10	**10,007,059**	11,012,911
Positive fair value of derivatives	17, 19	**92,132**	336,549
Other current assets	11	**196**	89
Total current assets		**10,419,666**	11,804,822
Non-current assets:			
Property, plant and equipment, net		**548**	-
Long-term receivables from affiliates	10	**10,065,900**	7,434,876
Deferred income tax assets	6	**17,889**	5,878
Other assets		**2**	-
Total non-current assets		**10,084,339**	7,440,754
Total assets		**$ 20,504,005**	$ 19,245,576
Liabilities and Member's Equity			
Current liabilities:			
Liabilities to affiliates, net	12	**$ 13,981,876**	$ 11,267,704
Accrued liabilities	3, 9, 15	**5,915**	5,949
Negative fair value of derivatives	17, 19	**102,885**	863,394
Short-term debt	13	**48,742**	-
Other current liabilities	6, 14	**107,105**	78,493
Total current liabilities		**14,246,523**	12,215,540
Non-Current Liabilities:			
Long-term liabilities to affiliates	12	**4,452,828**	5,406,756
Other liabilities	16	**1,121**	767
Total non-current liabilities		**4,453,949**	5,407,523
Total liabilities		**18,700,472**	17,623,063
Member's equity	21	**1,803,533**	1,622,513
Total liabilities and member's equity		**$ 20,504,005**	$ 19,245,576

See accompanying notes to financial statements.

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

Statements of Comprehensive Income
(Dollars in Thousands)

		Year Ended September 30	
	Note	**2023**	**2022**
Interest income	10	**$ 1,105,705**	$ 381,021
Interest expense	12, 13	**(802,200)**	(312,768)
Net interest income		**303,505**	68,253
(Loss) gain on financial instruments, net	5	**(102,292)**	168,618
Decrease (increase) of expected credit loss allowance	10, 14, 16	**43,783**	(919)
Other income	4	**11,259**	10,749
General and administrative expenses	9	**(13,508)**	(13,044)
Income before income taxes		**242,747**	233,657
Income tax provision	6	**(61,740)**	(58,500)
Net income		**181,007**	175,157
Other comprehensive income:			
Pension plan actuarial gain (loss), net of tax		**77**	(61)
Total comprehensive income, net of tax		**$ 181,084**	$ 175,096

See accompanying notes to financial statements.

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

Statements of Cash Flows

(Dollars in Thousands)

	Year Ended September 30 2023	2022
Operating activities		
Net income	**$ 181,007**	$ 175,157
Adjustments to reconcile net income to net cash (used in) operating activities:		
Deferred tax (benefit) loss	**(12,037)**	46,487
Unrealized fair value (gain) loss on derivative financial instruments	**(369,343)**	395,825
Unrealized foreign exchange (loss) gain on affiliate loans	**443,169**	(172,183)
Decrease in allowance of expected credit losses on receivables from affiliates and loan commitments	**(43,783)**	(25,654)
Other	**-**	(14)
Decrease (increase) in operating assets:		
Receivables from affiliates	**(1,563,583)**	(1,134,241)
Realized fair value (gain) on derivative financial instruments	**(146,748)**	(4,452)
Property, plant and equipment	**(548)**	120
Trade and other receivables	**(166)**	(251)
Income tax receivable	**-**	27,128
Other assets	**(109)**	810
(Decrease) increase in operating liabilities:		
Accrued liabilities	**(34)**	(21)
Pension liabilities	**77**	(61)
Income tax payable	**61,710**	11,957
Other liabilities	**(763)**	31,178
Net cash (used in) operating activities	**(1,451,151)**	(648,215)
Financing activities		
Proceeds from (payments of) short-term debt	**49,290**	(15,419)
Proceeds from liabilities to affiliates, net	**1,266,701**	737,428
Net cash provided by financing activities	**1,315,991**	722,009
Net (decrease) increase in cash and cash equivalents	**(135,160)**	73,794
Cash and cash equivalents at beginning of year	**454,720**	380,926
Cash and cash equivalents at end of year	**$ 319,560**	$ 454,720
Supplemental cash flow disclosures		
Cash received for interest from time deposits	**$ 19,214**	$ 2,530
Cash paid for interest on commercial paper	**$ 112,767**	$ 21,403

See accompanying notes to financial statements.

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

Statements of Changes in Member's Equity

(Dollars in Thousands)

	Member's Capital: Common Stock	Member's Capital: Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Losses	Total Member's Equity
Balance at September 30, 2021	$ 1	$ 245,207	$ 1,203,116	$ (821)	$ 1,447,503
Net income	–	–	175,157	–	175,157
Siemens AG share-based compensation expense, net of tax	–	–	(86)	–	(86)
Pension plan actuarial loss, net of tax	–	–	–	(61)	(61)
Balance at September 30, 2022	$ 1	$ 245,207	$ 1,378,187	$ (882)	$ 1,622,513
Net income	–	–	181,007	–	181,007
Siemens AG share-based compensation expense, net of tax	–	–	(64)	–	(64)
Pension plan actuarial gain, net of tax	–	–	–	77	77
Balance at September 30, 2023	$ 1	$ 245,207	$ 1,559,130	$ (805)	$ 1,803,533

See accompanying notes to 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 200 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.

The Company has been organized under a group named Controlling and Finance Financing (CF F) as a support function of Siemens AG. The Company is now referred to as a "Regional Finance Center". The Company continues 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.

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

The Insurance business arranges 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 supporting global industrial insurance solutions and associated claims handling. It deals with pure risks that are characterized by chance occurrence and that may only result in a financial loss. The Insurance group of SCC manages insurance contracts on behalf of Siemens Corporation and its' affiliates.

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

2. Basis of Presentation and Statement of Compliance

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

The Company has applied all applicable standards and interpretations issued by the IASB, that were effective as of the beginning of the fiscal year 2023 and 2022. The financial statements are generally prepared using amounts that approximate fair value, except for long-term receivables from affiliates and liabilities to affiliates which are on the amortized cost basis as stated in Note 3, Summary of Significant Accounting Policies and Critical Accounting Estimates.

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

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

The financial statements were authorized for issuance by Company's Management on December 5, 2023.

3. Summary of Significant Accounting Policies and Critical Accounting Estimates

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

Macroeconomic and Geopolitical Environment

The Company operates in an increasingly complex and uncertain macroeconomic and geopolitical environment, particularly due to the war in Ukraine and the conflict in Israel-Gaza/Middle East. Notably, we face continuing inflation, increased interest rates, volatile foreign currencies along with a rising apprehension of a slow-down of economic growth compared to prior years. Uncertainties increase in prognosis and forecasts, in applying critical accounting estimates and in using management judgements. Those trends could impact fair values and carrying amounts of assets and liabilities, amount and timing of results of operations and cash flows of the Company. Severity and duration of those trends are decisive on the magnitude of its impact on the Company's Financial Statements. The Company based its estimates and assumptions on existing knowledge and best information available.

Use of Estimates

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

Foreign Currency Transactions

Transactions that are denominated in a currency other than the functional currency of the Company are recorded at that functional currency applying the spot exchange rate as of the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are translated to functional currency applying the spot exchange rate as of that date. Gains and losses arising from these foreign currency revaluations are recognized in (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.

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

Income Taxes

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

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

Cash and Cash Equivalents

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

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 sales 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.

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

Classification of Financial Assets and Financial Liabilities

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

Measurement of Financial Assets

Financial assets which are primarily receivables from affiliates are classified as loans and receivables which are measured at amortized cost using the effective-interest method, less any impairment losses. Impairment losses on receivables from affiliates are recognized using separate allowance accounts. Additional information regarding allowance accounts is discussed in Note 10.

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.

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

Accrued Liabilities

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

Short-Term Debt

For working capital purposes, the Company issues commercial paper which typically has a maturity of less than 360 days and is recorded at a discount. The carrying amount of commercial paper on the Balance Sheets is equal to the face value less the amount of the discount.

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

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

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

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

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. Negative interest rates for applicable currencies have resulted in negative interest income and expense and has been recorded in the respective loan related interest income and deposit related interest expense accounts accordingly.

Other Income

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

General and Administrative Expenses

In general, operating expenses by types are recorded as incurred in the functional area of the corresponding profit and cost centers and predominantly consist of personnel related costs. Additional disclosures for personal costs can be found in Note 9.

Expected Credit Loss (ECL)

Expected credit losses are recorded on receivables from affiliates and loan commitments in accordance with the Company's policy which includes a prescribed methodology for calculating an allowance for doubtful accounts that is based on applicable credit ratings and the terms of the receivables and commitments. The allowance is based on the ECL's associated with the probability of default in the next twelve months. Additional disclosures can be found in Notes 10, 14 and 16.

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

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of significant financial instruments at September 30, 2023 and 2022:

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

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

The Company manages the 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 value of derivative financial instruments at Siemens incorporates all factors that market participants would consider, including the counterparties' credit risks. The calculation of fair values for derivative financial instruments depends on the type of instruments:

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

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

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

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

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

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

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

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

Derivative Financial Instruments

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

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

For those derivative instruments in which the Company wants to apply hedge accounting, 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

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

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

Changes in the fair value of a derivative that is effective and that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in the Statement of Comprehensive Income. SCC only had fair value hedges as of September 30, 2022 as the fair value hedges were terminated in September 2023. There are currently no transactions related to cash flow or foreign currency hedges.

SCC had elected as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39 and was therefore able to choose to prospectively terminate hedge accounting in accordance with IAS 39. Additional and more detailed disclosures for hedge accounting are disclosed in Note 17.

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.

IFRS 16 Leases

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

The real estate lease used by SCC was held by Siemens Corporation (SC) and subleased via intercompany leases. Organizationally, Siemens Real Estate (SRE) is responsible for managing SC’s real estate portfolio. The lease contract for the previous NJ office expired on September 30, 2022. The Company entered in to a new 10 year office lease for its current NJ office with SRE, a division of Siemens Corporation during September 2023, retroactive to October 1, 2022. Also see Note 20 for disclosures about the new office location.

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

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

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

The amount of Property, plant and equipment (right-of-use assets from leases) as of September 30, 2023 and 2022 was $548 and $0 respectively. The change in assets and liabilities (excluding deferred taxes) as of September 30, 2023 and 2022 is $548 and $327, respectively which is reflected in the Balance Sheets and Statements of Comprehensive Income on a net basis via reclassification between General and Administration Expenses and Interest Expenses. Resulting deferred taxes of $16 and $(35), in 2023 and 2022 respectively, have been recognized in the Statements of Comprehensive Income.

New and amended standards and interpretations

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

The amendments provide temporary reliefs which address the financial reporting effects when an Interbank Offered Rate (IBOR) is replaced with an alternative nearly Risk-Free Interest Rate (RFR). The amendments include the following practical expedients:

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

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

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

(Dollars in Thousands, Unless Otherwise Noted)

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

These amendments had no impact on the financial statements of the Company. The Company has used the practical expedients for the transition of all GBP LIBOR based instruments to Sterling Overnight Index Average (SONIA) rates before the end of calendar year 2021. This mainly affected the existing £1 billion hedge accounting structure (see Note 12). The Company did not experience any material impacts or effects on the hedge accounting structure from these transitions. The Company also Transitioned USD LIBOR based instruments to Secured Overnight Financing Rate (SOFR). The Company intends to use the practical expedients for other future IBOR transitions when they become applicable. The Company transitioned most of its financial instruments to SOFR by June 30, 2023, other than those that will mature in the near-term by the end of the calendar year 2023.

4. Other Income

Included in Other income is revenue related to Pension, Insurance, TFA and CMP services provided to Siemens affiliates of $11,259 and $10,749 for fiscal year 2023 and 2022, respectively. TFA revenue is related to fees charged for processing internal and external guarantees.

5. (Loss) gain on Financial Instruments, net

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

	2023	2022
Foreign exchange transactions results:		
Realized derivatives results	**$ (391,684)**	$ (33,276)
Unrealized derivatives results	**501,789**	(165,160)
Realized other assets and liabilities results	**338,022**	17,032
Unrealized other assets and liabilities results	**(443,169)**	172,183
Interest rate derivatives results:		
Unrealized fair value hedge accounting adjustment	**(148,783)**	426,918
Realized and accrued interest–hedge accounting adjustment	**18,121**	(19,819)
Realized – Non hedge accounting results	**9,295**	1,471
Unrealized – Non hedge accounting results	**14,117**	(230,731)
(Loss) gain on financial instruments, net	**$ (102,292)**	$ 168,618

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

(Dollars in Thousands, Unless Otherwise Noted)

6. Income Taxes

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

	2023	2022
Federal:		
Current	**$ (57,098)**	$ (8,976)
Deferred	**9,386**	(36,237)
State:		
Current	**(16,235)**	(2,828)
Deferred	**2,651**	(10,236)
Foreign:		
Current	**(444)**	(223)
Total Income Tax Provision	**$ (61,740)**	$ (58,500)

Included in other current liabilities are federal, state, and foreign income taxes payable. The amount of net income taxes payable as of September 30, 2023 and 2022 is $73,820 and $12,110 respectively.

	2023	2022
Income tax receivables	**$ -**	$ -
Income tax payables	**73,820**	12,110
Total Income Tax Payable	**$ 73,820**	$ 12,110

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. For Fiscal 2022, 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. For Fiscal 2023, derivatives and unrealized foreign exchange losses on loan related items are no longer temporary differences due to the terminations of the applicable loans and derivatives transactions as mentioned in Note 12.

The statutory tax rate applicable for fiscal year ending 2023 and 2022 was 25.424% [19.824% for federal tax purposes after state tax benefit, and 5.6% for state tax purposes]. For purposes of

(Dollars in Thousands, Unless Otherwise Noted)

6. Income Taxes (continued)

valuing deferred tax assets and liabilities at September 30, 2023 and 2022, the statutory tax rate utilized was 25.424%. The effective income tax rate is approximately (25.43%) and (25.04%) for the year ended September 2023 and 2022, respectively. The difference between the effective income tax rate and the statutory tax rate for 2023 primarily pertains to the deferred income tax benefit of $38,145 related to the impact from the termination of Hedge Accounting, which was slightly offset by IFRS 9 Expected Credit Losses (ECL) on Receivables from affiliates and loan commitments that resulted in a deferred income tax expense adjustment of $11,131 and IFRS 16 Leases that resulted in a deferred income tax benefit of $16.

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 deferred income tax assets as of September 30, 2023 and 2022 was $17,889 and $5,878, respectively.

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

	2023	2022
Net assets:		
Unrealized fair value of derivative financial instruments	**$ -**	$ 102,606
Unrealized foreign exchange losses on affiliate loans	**-**	(125,501)
ECL on receivables from affiliates and loan commitments	**15,982**	27,114
IFRS 16 Leases (Right of use assets, net)	**16**	-
Accrued interest – foreign affiliates	**499**	225
Employee related fringe benefits accruals	**1,392**	1,434
Total Deferred Income Tax Assets	**$ 17,889**	$ 5,878

(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:

	2023	2022
Cash in U.S. banks	**$ 55,007**	$ 96,129
Cash in foreign banks	**84,553**	39,267
Time deposits in U. S. and foreign banks with original maturity of less than 90 days	**180,000**	315,000
Cash in margin accounts	**-**	4,324
Total Cash and Cash Equivalents	**$ 319,560**	$ 454,720

8. Related-Party Transactions

The Company is a member of a group of affiliated and associated companies and enters into extensive transactions with affiliated companies of Siemens Corporation and Siemens AG. These transactions mainly include receivables / liabilities from and to affiliates and related income and expense as disclosed in the Notes 10 and 12 to financial statements.

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 $11,804 and received $27,128 of income taxes (to) from Siemens Corporation, through the Siemens intercompany payment system, during the fiscal years ended September 30, 2023 and 2022 respectively. Siemens Corporation then submitted the payment to the U.S. Federal and State tax authorities on the Company’s behalf. Furthermore, Siemens Corporation submitted payments on behalf of the Company in the amount of $2,312 and $1,113 for the fiscal years ended September 30, 2023 and 2022 respectively, to the U.S. Federal tax authority for applicable U.S. withholding income taxes.

(Dollars in Thousands, Unless Otherwise Noted)

9. Personnel Costs

The amounts disclosed in the following table are the amounts recognized as an expense related to personnel recorded under General and Administrative expenses, during the years ended September 30, 2023 and 2022:

	2023	**2022**
Wages and salaries	**$ 8,206**	$ 7,447
Statutory social welfare contributions and employee benefits	**1,268**	1,134
Expenses relating to pension plans and Other Post-Employment Benefits (OPEB)	**44**	29
Total Personnel Costs	**$ 9,518**	$ 8,610

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 $2,747 for fiscal year 2023 and was paid in the amount of $3,473 for fiscal year 2022, respectively. The accrued bonus of $650 and the actual bonus paid of $1,186 were included in fiscal year 2023 and 2022 compensation, respectively. The annual bonus is being paid in December. In fiscal year 2023 severance payments of $309 have been paid to key management personnel.

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables from Affiliates, net

The Company provides Financing services to affiliates and as of September 30, 2023 and 2022, the Company holds receivables from affiliates as follows:

	2023	2022
Receivables from affiliates, net due within one year (interest rates range from 0.48% to 12.96% in fiscal year 2023 and 0.46% to 10.4% in fiscal 2022)	**$ 10,007,059**	$ 11,012,911
Receivables from affiliates due beyond one year (interest rates range from 0.76% to 7.15% in fiscal year 2023 and 0.35% to 5.84% in fiscal 2022)	**10,065,900**	7,434,876

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:	
2024	**$ 10,065,413**
2025	**2,991,969**
2026	**3,254,142**
2027	**1,790,344**
2028	**241,971**
Thereafter	**1,787,474**

(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:

	2023	2022
Siemens Corporation	**$ 2,510,681**	$ 2,160,196
Siemens Financial Services affiliates	**4,563,089**	6,638,505
Siemens Smart Infrastructure affiliates	**1,672,271**	1,559,959
Siemens Digital Industry affiliates	**966,712**	635,233
Other Siemens affiliates	**352,660**	88,587
Total receivables from affiliates due within one year	**$ 10,065,413**	$ 11,082,480
Expected credit loss on receivables from affiliates	**(58,354)**	(69,569)
Total receivables from affiliates net	**$ 10,007,059**	$ 11,012,911

Receivables from affiliates due within one year and beyond one year significantly increased in fiscal year 2022 due to the acquisition of Brightly Software, Inc. by Siemens Smart Infrastructure (SI) Division.

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

	2023	2022
Siemens Financial Services affiliates	**$ 7,237,312**	$ 4,706,288
Siemens Digital Industry/Digital Factory affiliates	**2,728,588**	2,728,588
Siemens Mobility	**100,000**	-
Other Siemens affiliates	**-**	-
Total receivables from affiliates due beyond one year	**$ 10,065,900**	$ 7,434,876

(Dollars in Thousands, Unless Otherwise Noted)

10. Receivables from Affiliates, net (continued)

Interest income related to receivable from affiliates is as follows:

	2023	2022
Siemens Financial Services affiliates	**$ 525,773**	$ 185,856
Siemens Corporation	**125,739**	35,835
Siemens Finance B.V. (SFBV)	**163,826**	-
Siemens Digital Industry affiliates	**156,146**	122,335
Other Siemens affiliates	**114,977**	34,424
Total interest income related to receivables from affiliates	**$ 1,086,461**	$ 378,450

The decrease in the Expected credit loss on receivables from affiliates for the fiscal year 2023 and 2022 of ($11,215) and ($25,654), respectively, was recorded in the Statements of Comprehensive Income. The significant decrease in the Expected credit loss on receivables from affiliates for the fiscal year 2023 and 2022 is mainly related to the significant decrease in loan commitments (future starting loans) and changes to the PD and LiED as noted below and an increase in Liabilities to affiliates that mitigates SCC's exposure due to the applied netting in the ECL calculation on counterparty level, respectively. SCC utilizes the IFRS 9 general approach (3-Stage model). As of September 30, 2023, and 2022, 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 now uses the standardized Siemens LiED assumption of 55% for investment grade obligors and 65% for non-investment grade obligors. Until June 30, 2023 SCC used the previous 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, 2020 for up to a maximum value of $20 billion through September 30, 2024.

11. Other Current Assets

Other current assets in fiscal year's 2023 and 2022 are insignificant.

12. Liabilities to Affiliates

Liabilities to affiliates include the following as of September 30:

	2023	2022
Liabilities to affiliates due within one year (interest rates range from (0.64%) to 11.49% in fiscal year 2023 and from 0.05% to 9.06% in fiscal year 2022)	**$ 13,981,876**	$ 11,267,704
Liabilities to affiliates due beyond one year (interest rates range from 3.54% to 4.59% in fiscal years 2023 and from 2.87% to 4.59% in fiscal year 2022)	**4,452,828**	5,406,756

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:	
2024	**$ 13,981,876**
2025	**-**
2026	**-**
2027	**1,244,113**
2028	**-**
Thereafter	**3,208,715**

(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:

	2023	2022
Siemens Industries and others	**$ 3,385,950**	$ 3,419,799
Siemens Aktiengesellschaft	**5,326,315**	3,188,389
Other Siemens affiliates	**5,269,611**	4,659,516
Total liabilities to affiliates due within one year	**$ 13,981,876**	$ 11,267,704

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

	2023	2022
Siemens Financieringsmaatschappij N.V. (SFM)	**$ 1,724,240**	$ 2,828,204
Siemens Finance B.V. (SFBV)	**2,728,588**	2,728,588
Liabilities to affiliates due beyond one year before hedge accounting	**4,452,828**	5,556,792
Hedge Accounting Adjustment (SFM)	**-**	(150,036)
Total liabilities to affiliates due beyond one year	**$ 4,452,828**	$ 5,406,756

(Dollars in Thousands, Unless Otherwise Noted)

12. Liabilities to Affiliates (continued)

Interest expense related to liabilities to affiliates is as follows:

		2023		2022
SFM and SFBV	**$**	**232,570**	$	229,178
Siemens Industries and others		**167,178**		41,961
Siemens AG		**39,316**		6,332
Siemens Digital Industry / Digital Factory affiliates		**190,950**		32,154
Other Siemens affiliates		**39,179**		1,466
Subtotal interest expense before hedge accounting		**669,193**		311,091
Hedge Accounting interest adjustment – Siemens AG		**18,121**		(19,819)
Total interest expense related to liabilities to affiliates	**$**	**687,314**	$	291,272

Also see Note 13 for disclosures regarding third party interest expenses related to the Commercial Paper Program.

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 borrowings and related interest rate swap hedges. Hedge accounting adjustments including ineffectiveness of $18,625 were included in the carrying amount of the debt obligations as a result of the gains recorded in fiscal year 2022. Hedge ineffectiveness loss of ($10,415) was recorded in (Loss) gain on financial instruments in the Statements of Comprehensive Income in fiscal year 2023.

On December 7, 2021, the Company amended the above-mentioned hedge accounting documentation due to derivatives adjustments caused by the IBOR Reform (see Note 3). Due to the IBOR Reform, the floating interest rate GBP LIBOR was replaced by the risk-free rate SONIA which is also applicable for the existing interest rate swaps. To compensate for a credit spread included in GBP LIBOR, the new SONIA based instruments have been adjusted with a margin add-on accordingly. Therefore, economic equivalence has been achieved. No other features such

12. Liabilities to Affiliates (continued)

as remaining term, cash flows, fixed interest rate and notional volumes of the related interest rate swaps have been changed.

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

The Company has recorded an unrealized fair value gain of $549,125 and (loss) of ($246,527) as of September 30, 2023 and 2022, respectively in connection with the GBP cross-currency interest rate swaps which is included in (Loss) gain on financial instruments, net.

On September 27, 2023, in accordance with CF F's Interest Management 2.0 initiative (see Note 17 for further information), SFBV assumed the above mentioned SFM GBP loan borrowings from SCC in accordance with an agreement on debt assumption and SCC terminated the related hedging interest rate swaps and cross-currency interest rate swaps with SAG. The impacts of the debt assumption and derivatives terminations resulted in significant cash outflows and inflows for each financial instrument regarding market value compensation, principal, notional and related accrued interest payments. This included the receipt of a one - time $163,826 market value compensation payment in September 2023 related to the £1 billion debt assumption that was recorded as interest income (also see Note 10).

SCC has entered into master loan agreements with SFM and SFBV and intends to continue obtaining funding from SFM and SFBV. Borrowings from SFM and SFBV consist of both floating as well as fixed rate loans. The loans payable to SFM and SFBV are guaranteed by Siemens Corporation in agreements dated August 18, 2015, September 19, 2017, and October 1, 2020, and October 1, 2022 and September 28, 2023, respectively. Siemens Corporation guarantees SFM loans for up to $15 billion through September 30, 2025, and SFBV loans for up to $3 billion through September 30, 2024.

(Dollars in Thousands, Unless Otherwise Noted)

13. Short-Term Debt

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

	2023		2022	
	Face Value	**Carrying Value**	**Face Value**	**Carrying Value**
Commercial paper (Interest rate is 4.98% in fiscal year 2023 and -% in 2022)	**$ 50,000**	**$ 48,742**	$ -	$ -
	-		-	-
Total Short-Term Debt	**$ 50,000**	**$ 48,742**	$ -	$ -

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 2023 and 2022, the Company issued commercial paper in varying amounts to fund the ongoing short-term capital requirements of the Siemens North American affiliates. Typically, these commercial paper issuances have a maturity of 30 to 360 days. Interest rates for commercial paper issued in fiscal year 2023 ranged from 3.06% to 5.29% and from 0.08% to 3.06% for commercial paper issued in fiscal year 2022. The total interest expense on commercial paper is $113,964 and $21,377 in fiscal year 2023 and 2022, respectively and is included in the Statements of Comprehensive Income.

Credit Facilities

The Company participates in credit facilities which are available for general corporate purposes. The credit facilities as of September 30, 2023 and 2022 consisted of $7,415,800 and $6,823,600, respectively in committed unused lines of credit.

The outstanding credit facilities as of September 30, 2023 includes a €7 billion facility agreement that was entered into on February 28, 2019 with a syndicate of international banks. In February 2021 the unused €7.0 billion syndicated credit facility maturing in 2025 was extended to mature in 2026 with no extension option remaining.

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 currently may issue up to €30 billion of debt instruments. Currently, the Company does not have any debt instruments issued or outstanding under the program. All debt instruments are unconditionally and irrevocably guaranteed by Siemens AG.

Additional disclosures can be found in Note 22.

14. Other Current Liabilities

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

As of September 30, 2023 and 2022, ECL on short term loan commitments of $4,511 and $37,012, respectively are recorded as other current liabilities.

Other current liabilities include liabilities for income taxes payable (see Notes 6 and 8).

15. Accrued Liabilities

Accrued liabilities are mainly related to employee bonuses and fringe benefits. At September 30, 2023 and 2022, the accrued bonus expenses are $1,214 and $1,234, respectively. Fringe benefits include items such as employee payroll taxes, insurance, health and welfare related costs. At September 30, 2023 and 2022, the accrued fringe benefits are $4,457 and $4,469, 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 and future minimum lease payments and unamortized finance expenses from real estate leases. At September 30, 2023 and 2022, the Company's pension plan and other post-employment liabilities were $573 and $701, respectively. Future minimum lease payments and unamortized finance expenses from real estate leases as of September 30, 2023 and 2022 have been recorded in the amount of $548 and $0, respectively.

16. Other Liabilities (continued)

As of September 30, 2023 and 2022, long-term ECL liabilities for loan commitments of $- and $66, respectively are recorded as other liabilities.

17. Derivative Financial Instruments and Hedging Activities

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

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

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

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

17. Derivative Financial Instruments and Hedging Activities (continued)

outcomes on the basis of this statistical behavior may not always cover all possible scenarios, especially those of an exceptional nature.

In Fiscal Year 2023 the company discontinued to use VaR relating to foreign currency exchange rates and fully transitioned to its "sensitivity analysis" based system to identify its foreign currency exchange risk position and evaluate the exposure in the event that certain specified parameters were to be met.

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 receivables from and liabilities to affiliates. The Company mitigates its foreign currency exchange rate exposure associated with fluctuations in foreign currency denominated intercompany borrowings and foreign currency exchange contracts with affiliates by entering into foreign exchange and cross-currency interest rate derivatives with unrelated third-party financial institutions and Siemens AG. The affiliate and third-party derivative financial instruments are recorded at fair value in the Balance Sheets, and the changes in fair value are included in the Statements of Comprehensive Income in accordance with IFRS 9.

Transaction Risk and Currency Management

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

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

17. Derivative Financial Instruments and Hedging Activities (continued)

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 net currency positions and mandates companies to hedge: at least 75% but no more than 100% of their net foreign currency exposure if certain thresholds are exceeded. In addition, the Controlling and 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 $243 as of September 30, 2022. In Fiscal Year 2023 the company discontinued to use VaR relating to foreign currency exchange rates and fully transitioned to its "sensitivity analysis" based system as mentioned above.

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, 2023, and 2022, 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 2023 and 2022, 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)

Changes in USD values of future cash flows denominated in foreign currency due to volatile foreign exchange rates might influence the unhedged net positions.

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

	2023						
	EUR	**CAD**	**MXN**	**GBP**	**AUD**	**Other**	**Total**
	(In Millions USD)						
Balance sheet – financial receivables	**$ 271**	**$ 1,352**	**$ 34**	**$ 30**	**$ 63**	**$ 40**	**$ 1,790**
Balance sheet – financial liabilities	**(220)**	**(552)**	**(-68)**	**(65)**	**(59)**	**(33)**	**(997)**
Net balance sheet exposure	**51**	**800**	**(34)**	**(35)**	**4**	**7**	**793**
Foreign exchange transaction exposure – third parties	**466**	**(1,203)**	**81**	**-**	**(2)**	**(10)**	**(668)**
Foreign exchange transaction exposure – affiliates	**(515)**	**413**	**(53)**	**35**	**(2)**	**3**	**(119)**
Economically hedged exposure	**$ (49)**	**$ (790)**	**$ 28**	**$ 35**	**$ (4)**	**$ (7)**	**$ (787)**
Change in future cash flows after hedging activities resulting from a 10% depreciation of the USD	**$ –**	**$ 2**	**$ (1)**	**$ –**	**$ –**	**$ –**	**$ 1**

	2022						
	EUR	**CAD**	**MXN**	**GBP**	**AUD**	**Other**	**Total**
	(In Millions USD)						
Balance sheet – financial receivables	$ 270	$ 1,337	$ 30	$ 28	$ 61	$ 12	$ 1,737
Balance sheet – financial liabilities	(244)	(693)	(75)	(1,085)	(52)	(18)	(2,166)
Net balance sheet exposure	26	644	(45)	(1,057)	9	(6)	(429)
Foreign exchange transaction exposure – third parties	449	(766)	148	1	(8)	3	(173)
Foreign exchange transaction exposure – affiliates	(474)	125	(102)	1,056	(1)	3	607
Economically hedged exposure	$ (25)	$ (641)	$ 46	$ 1,057	$ (9)	$ 6	$ 434
Change in future cash flows after hedging activities resulting from a 10% depreciation of the USD	$ –	$ –	$ –	$ –	$ –	$ –	$ –

17. Derivative Financial Instruments and Hedging Activities (continued)

As of September 30, 2023, and 2022, the Company had total forward foreign exchange contracts outstanding with notional USD equivalent amounts of $5,934,003 and $7,049,157 and had unrealized net losses of $10,752 and $512,542 in 2023 and 2022, respectively. The fair value of the above forward foreign exchange contracts is reflected in Positive fair value of derivatives of $92,132 and $209,410 as of September 30, 2023 and 2022, respectively, and in Negative fair value of derivatives of $102,885 and $721,952 as of September 30, 2023 and 2022, respectively.

A portion of foreign exchange contracts outstanding includes a notional USD equivalent of $2,762,502 and $2,710,500 related to the North American Affiliates, which had unrealized net gains of $31,073 and $60,436 in fiscal year 2023 and 2022, respectively. The foreign exchange contracts also include a cross currency interest rate swaps related to Siemens AG with a notional amount of $166,797 and $2,022,469 in fiscal years 2023 and 2022, respectively which had unrealized net losses of $728 and $520,466 in fiscal year 2023 and 2022, respectively.

Interest Rate Risk Management

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

Market fluctuations in interest rates are not expected to change net interest income significantly since both financial assets and liabilities are affected. Until the implementation of the Interest Management 2.0 Initiative in September 2023, the Company mitigated interest rate risk by entering into interest rate derivative financial instruments with SAG, mainly interest rate swaps, U.S. Treasury and Euro-Dollar futures, and to a lesser extent, cross currency swaps, forward rate agreements and interest rate caps. Interest rate swap agreements are used to economically hedge a portion of the Company's receivables and debt that is subject to variable or fixed interest rates.

Assuming historical volatilities and correlations, a ten-day holding period and a confidence level of 99.5% the VaR on the interest rate portfolio was $109,232 and $160,832 as of September 30, 2023 and 2022, respectively.

During the fourth quarter of Fiscal 2023, as changing conditions required an adjustment of the current interest rate risk management activities (i.e. the Interest rate environment materially changed from "falling rates with low volatility" to "(fast) rising rates with high volatility), CF F

17. Derivative Financial Instruments and Hedging Activities (continued)

changed its global hedging strategy to a more simplified approach with holistic management of the interest rate position that enables a reduction of the derivatives position both externally and internally.

As a result of the above changes under the CF F Interest Management 2.0 initiative, SCC's interest rate derivatives (total notional volume of $2,402,932) with SAG that economically hedge a portion of the SFS, Inc. loan portfolio was terminated in September 2023 which has resulted net positive market value compensation payment to SCC of $148,729 and a net gain of $24,108 recognized in (Loss) gain on financial instruments, net in September 2023. Going forward, interest rate risk will instead be managed considering an alignment of internal and external financing positions with linking the source of funds and the use of funds.

Fair Value Hedging of Fixed-Rate Debt Obligations

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

Effective October 1, 2012, the Company implemented hedge accounting for its fixed-rate £1,000,000 borrowings which are mentioned in Note 12. Hedge accounting is no longer being applied due to the termination of the £1,000,000 borrowings and related hedging instruments in Fiscal 2023 in alignment with the CF F Interest Management 2.0 initiative.

The notional values of the related swap agreements of $- and $1,103,964, in fiscal year 2023 and 2022, respectively resulted in an unrealized gain (loss) of $139,294 and ($445,223) in fiscal year 2023 and 2022, respectively. Hedge accounting adjustments in the carrying amount of the debt obligations resulted in a (loss) gain of ($159,198) and $408,293 in fiscal year 2023 and 2022, respectively. Accordingly, the net effect recognized in (Loss) gain on financial instruments, net excluding the ineffective portion of the hedging relationship, amounts to a (loss) of ($19,904) and ($36,931) for fiscal year 2023 and 2022, respectively. The hedging ineffectiveness for fiscal year 2023 and 2022 amounts to a (loss) of ($10,415) and ($18,625) respectively.

17. Derivative Financial Instruments and Hedging Activities (continued)

The main reason of ineffectiveness for the GBP transactions is that the interest rates between the loans and the corresponding interest rate swaps did 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 fair value difference at inception, October 1, 2012, amounted to $28,238 which was amortized using the effective yield method over the original 13- and 30-year life of the £1 billion loans up to the point of the termination of the hedge accounting in Fiscal 2023. All hedge accounting structures have been terminated as September 30, 2023.

The amortization amount included in the above noted adjustments in the carrying amount of the debt obligations for fiscal year 2022 was $783, respectively which was recognized in the 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, 2022 was $19,595.

Non-Hedging Interest Rate Derivative Financial Instruments

The Company holds interest rate swap contracts to pay variable rates of interest at an average of 4.95 % and 2.37 % as of September 30, 2023 and 2022, respectively and receives rates of interest at an average rate of 5.32% and 2.80 % as of September 30, 2023 and 2022, respectively relating to the economically hedged receivables from and liabilities to affiliates. The Company has no external interest rate swap contracts as of September 30, 2023. The notional amount of indebtedness with economic hedges as of September 30, 2023 and 2022 was $- and $2,870,260, respectively and is related to interest rate swaps with Siemens AG. The notional amount of interest rate futures contracts as of September 30, 2023 and 2022 amounts to $- and $7,274 respectively. The company does not hold any interest rate swaps or interest rate futures contracts as of September 30, 2023 in alignment with the CF F Interest Management 2.0 initiative.

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 $- and $2,518 as of September 30, 2023 and 2022, respectively, and Positive fair value of derivatives in the amount of $- and $127,139 as of September 30, 2023 and 2022, respectively. The net realized and unrealized gains related to interest rate derivatives were recorded

(Dollars in Thousands, Unless Otherwise Noted)

17. Derivative Financial Instruments and Hedging Activities (continued)

in (Loss) gain on financial instruments, net in the amount of ($107,250) and $177,837 for the years ended September 30, 2023 and 2022, respectively.

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:

	2023	2022
Derivatives designated as hedging instruments under IAS 39		
Interest rate swap contracts	**$ -**	$ 1,103,964

	2023	2022
Derivatives not designated as hedging instruments under IFRS 9		
Interest rate swap contracts	**$ -**	$ 2,870,260
Foreign exchange contracts	**5,934,003**	7,049,157
Futures contracts	**-**	7,274
Total	**$ 5,934,003**	$ 9,926,691

(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	
	2023	2022	2023	2022
	Fair Value	Fair Value	Fair Value	Fair Value
Derivatives designated as hedging instruments under IAS 39				
Interest rate contracts	**$ -**	$ -	**$ -**	$ 138,923

	Positive Fair Value of Derivatives		Negative Fair Value of Derivatives	
	2023	2022	2023	2022
	Fair Value	Fair Value	Fair Value	Fair Value
Derivatives not designated as hedging instruments under IFRS 9				
Interest rate swaps	**$ -**	$ 127,139	**$ -**	$ 2,518
Foreign exchange contracts	**92,132**	209,410	**102,885**	721,952
Total	**$ 92,132**	$ 336,549	**$ 102,885**	$ 724,471

(Dollars in Thousands, Unless Otherwise Noted)

17. Derivative Financial Instruments and Hedging Activities (continued)

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

Derivatives Not Designated as Hedging Instruments Under IFRS 9	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income 2023	2022
Interest rate swaps and futures contracts	(Loss) gain on financial instruments, net	**$ (107,250)**	$ 177,837
Foreign exchange contracts	(Loss) gain on financial instruments, net	**110,105**	(198,436)
Total		**$ 2,855**	$ (20,599)

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 and loan commitments. 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 $1.7 billion and $2.8 billion of borrowings from SFM and $2.7 billion and $2.7 billion of borrowings from SFBV as of September 30, 2023 and 2022, respectively. These borrowings are primarily assumed to fund continuing operations.

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

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

19. Fair Value of Financial Instruments

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

(Dollars in Thousands, Unless Otherwise Noted)

19. Fair Value of Financial Instruments (continued)

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

The fair value estimates made as of September 30, 2023 and 2022, were based upon pertinent market data and relevant information on the financial instrument at that time. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire portion of the financial instrument. Since no market exists for a portion of the financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

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

	2023		**2022**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial instruments included in the balance sheets:				
Assets:				
Long-term receivables from affiliates	**$ 10,065,900**	**$ 9,903,003**	$ 7,434,876	$ 7,532,477
Liabilities:				
Short-term debt	**48,742**	**50,000**	-	-
Long-term liabilities to affiliates	**4,452,828**	**4,388,301**	5,406,756	5,987,098

(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:

2023	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Long-term receivables from affiliates	**$ -**	**$ 9,903,003**	**$ -**	**$ 9,903,003**
Derivative financial instruments	**-**	**92,132**	**-**	**92,132**
Total	**$ -**	**$ 9,995,135**	**$ -**	**$ 9,995,135**
Financial liabilities measured at fair value:				
Short-term debt	**$ -**	**$ 50,000**	**$ -**	**$ 50,000**
Long-term liabilities to affiliates	**-**	**4,388,301**	**-**	**4,388,301**
Derivative financial instruments	**-**	**102,885**	**-**	**102,885**
Total	**$ -**	**$ 4,541,186**	**$ -**	**$ 4,541,186**

2022	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Long-term receivables from affiliates	$ -	$ 7,532,477	$ -	$ 7,532,477
Derivative financial instruments	-	336,549	-	336,549
Total	$ -	$ 7,869,026	$ -	$ 7,869,026
Financial liabilities measured at fair value:				
Short-term debt	$ -	$ -	$ -	$ -
Long-term liabilities to affiliates	-	5,837,062	-	5,837,062
Derivative financial instruments	-	863,394	-	863,394
Total	$ -	$ 6,700,456	$ -	$ 6,700,456

The Company did not hold any Level 1 and 3 assets or liabilities in fiscal year 2023 and 2022.

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 $94 and $498 for fiscal year 2023 and 2022, respectively. The previous New Jersey office lease expired on September 30, 2022 and the Company entered into a new 10 year lease office lease at 200 Wood Avenue South, Iselin, NJ 08830 with Siemens Real Estate, a division of Siemens Corporation.

SCC entered into forward-starting loans with affiliated companies. The total nominal value of the forward-starting loans is $933,927 and $4,761,029 as of September 30, 2023, and 2022, respectively. The resulting loans will be covered by the Siemens Corporation guarantee. The resulting credit risk has been included in the ECL calculation.

21. Member's Equity

The Company is a limited liability company directly and wholly owned by Siemens Corporation who is its sole member. The Company has no shares and no authorized share equity as of September 30, 2023 and 2022.

22. Subsequent Events

During November 2023, the Debt Issuance Program by SAG which SCC participates in has been approved by the Siemens Managing and Supervisory Boards to be increased to €35 billion of debt instruments.

To further drive the CF F purpose of "managing the financial strength of Siemens by providing best-in-class financial solutions and risk management advisory services tied in with an innovative financial technology set-up" the CF F organization was optimized in 2021 by the division of the Treasury business in three distinct Product Lines: Cash Management and Payments (CMP), FX and Commodity Risk Management (FCR) and Group Funding, Liquidity and Interest Management (GLI). Effective, October 1, 2023 the former FCR product line has been renamed to Treasury Risk Management (TRM) and will be responsible for managing financial risks and closing all treasury trading transactions. The GLI liquidity and interest management function has been integrated into the TRM Product Line to further improve unified risk management through joint steering of financial risks, in compliance with regulatory requirements. The GLI Group Funding function has been transferred to a staff unit due to the relevance of this area and will report to CF F Management.

22. Subsequent Events (continued)

These two Product Lines, the GLI Group Funding Staff Unit together with the TFA-, Insurance- and Pension-Product Lines currently constitute the operative business organization of the company.

The Company has evaluated subsequent events through December 5, 2023 and has determined that no further subsequent events have occurred that would require disclosure in the financial statements or accompanying notes.