CONSOLIDATED FINANCIAL STATEMENTS

Siemens Capital Company LLC
(A Wholly Owned Subsidiary of Siemens Corporation)
Years Ended September 30, 2015 and 2014
With Report of Independent Auditors

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Consolidated Financial Statements

Years Ended September 30, 2015 and 2014

Contents

Report of Independent Auditors

The Member
Siemens Capital Company LLC

We have audited the accompanying consolidated financial statements of Siemens Capital Company, LLC (the Company), a wholly owned subsidiary of Siemens Corporation, which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of income, changes in member's capital, 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 financial statements in accordance 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 from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at September 30, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst + Young LLP

November 25, 2015

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

Consolidated Balance Sheets
(Dollars in Thousands)

	September 30 2015	September 30 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 439,457**	$ 576,328
Receivables from affiliates	**22,834,145**	21,549,728
Accounts receivable, net	**494,198**	489,984
Positive fair value of derivatives	**427,959**	196,611
Other current assets	**201**	195
Total current assets	**24,195,960**	22,812,846
Long-term receivables from affiliates	**15,111,380**	7,728,200
Deferred income tax assets	**32,679**	13,647
Total assets	**$ 39,340,019**	$ 30,554,693
Liabilities and member's capital		
Current liabilities:		
Liabilities to affiliates	**$ 14,876,853**	$ 14,277,084
Accrued liabilities	**5,682**	5,695
Negative fair value of derivatives	**329,991**	183,939
Short-term debt and current maturities of long-term debt	**1,727,687**	999,664
Other current liabilities	**43,329**	46,809
Total current liabilities	**16,983,542**	15,513,191
Long-term liabilities to affiliates	**21,567,014**	14,239,104
Other liabilities	**1,374**	388
Total liabilities	**38,551,930**	29,752,683
Member's capital	**788,089**	802,010
Total liabilities and member's capital	**$ 39,340,019**	$ 30,554,693

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income

(Dollars in Thousands)

	Year Ended September 30	
	2015	**2014**
Interest income	**$ 356,425**	$ 263,396
Interest expense	**(281,599)**	(178,030)
Net interest income	**74,826**	85,366
Other income	**5,942**	6,682
General and administrative expenses	**(12,826)**	(13,146)
Loss on financial instruments	**(89,078)**	(51,216)
(Loss) income before income taxes	**(21,136)**	27,686
Income tax benefit (provision)	**7,802**	(10,648)
Net (loss) income	**$ (13,334)**	$ 17,038

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 Capital

(Dollars in Thousands)

	Year Ended September 30	
	2015	**2014**
Balance at beginning of year	**$ 802,010**	$ 784,975
Siemens AG share-based compensation	**(2)**	(3)
Pension Liability Adjustment push down from Siemens Corporation, net of deferred taxes	**(585)**	–
Net (loss) income	**(13,334)**	17,038
Balance at end of year	**$ 788,089**	$ 802,010

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	
	2015	**2014**
Operating activities		
Net (loss) income	**$ (13,334)**	$ 17,038
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	**8**	20
Allowance for doubtful accounts	**21**	357
Deferred income tax assets	**(19,032)**	(1,931)
Changes in operating assets and liabilities:		
Increase in receivables from affiliates	**(8,667,597)**	(2,210,345)
Change in fair values of derivatives, net	**(85,296)**	(136,519)
(Increase) decrease in accounts receivables	**(4,235)**	22,421
Accrued liabilities	**(13)**	272
Pension liabilities adjustment, net of deferred income taxes	**(585)**	–
Other assets and liabilities, net	**(2,505)**	(21,036)
Net cash used in operating activities	**(8,792,568)**	(2,329,723)
Investing activities		
Changes in property, plant, and equipment	**(5)**	8
Net cash (used in) provided by investing activities	**(5)**	8
Financing activities		
Proceeds from short-term debt and current maturities of long-term debt	**728,023**	999,664
Proceeds from liabilities to affiliates, net	**7,927,679**	1,462,173
Net cash provided by financing activities	**8,655,702**	2,461,837
Net (decrease) increase in cash and cash equivalents	**(136,871)**	132,122
Cash and cash equivalents at beginning of year	**576,328**	444,206
Cash and cash equivalents at end of year	**$ 439,457**	$ 576,328
Supplemental cash flow disclosures		
Cash received for interest from time deposits	**$ 884**	$ 382
Cash paid for interest on commercial paper and term borrowings	**$ 5,749**	$ 4,473

See accompanying notes to consolidated financial statements.

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

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

September 30, 2015

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. SCC 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, SCC is owned by Siemens AG. The debts, obligations and liabilities of SCC, whether arising in contract, tort or otherwise, shall be solely the debts, obligations, and liabilities of SCC, and no member, manager, or officer of SCC shall be obligated personally for any such debt, obligation, or liability of SCC solely by reason of being a member, manager, and/or officer.

SCC operates within the Treasury Group under Siemens Financial Services (SFS) Division of Siemens AG (SFS Treasury). SCC is also referred to as the "Regional Treasury Center Americas". The primary purpose of the Company is to provide financing, interest rate, foreign exchange and credit risk management, as well as working capital solutions for the Siemens AG North American affiliates and supports the affiliates in South and Central America with their financing and treasury risk management needs. Additionally, the Company provides services in investment management and pension accounting, controlling and reporting for the qualified and nonqualified retirement plans of the Siemens AG North American affiliates.

Siemens Credit Warehouse, Inc. (A Wholly-Owned Subsidiary of SCC)

SCC is also the sole shareholder of Siemens Credit Warehouse, Inc. (SCWI). SCWI is responsible for the concentration of short-term trade receivables and improving the credit risk management of the Siemens U.S. affiliates. SCWI is also a potential source of liquidity through receivables-based financing. Any liquidity that would be realized through the internal sale of receivables would flow to the selling affiliates. Additionally, as the receivables are the property of SCWI, the liquidity from collections would flow to SCWI.

2. Basis of Presentation and Statement of Compliance

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

The consolidated financial statements are generally prepared on the historical cost basis as stated in Note 3, Summary of Significant Accounting Policies. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

The consolidated financial statements were authorized for issue by SCC Management on November 25, 2015.

3. Summary of Significant Accounting Policies

The accounting polices set out 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 SCC and subsidiary, SCWI and over which SCC has control. SCC controls SCWI and has existing rights that give it the current ability to direct the relevant activities, which are the activities that significantly affect SCC's return. In addition, SCC is exposed to, or has rights to, variable returns from the involvement with SCWI and it has the ability to use its power over SCWI to affect the amount of SCC's return. For the consolidated financial statements, all assets, liabilities, income, expenses and cash flows of SCC with those of SCWI are combined. Intra-group transactions are eliminated in full.

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

3. Summary of Significant Accounting Policies (continued)

information about the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Other provisions are recognized when the Company has an obligation to a third-party, an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation. The preparation of the Company's consolidated financial statements in accordance with standards issued by the IASB requires management to make certain assumptions and estimates that affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. Assumptions and estimates are related principally to the determination of useful economic lives, the recognition and measurement of provisions and the recoverability of future tax benefits. Actual amounts could, in certain cases, differ from those assumptions and estimates. Where new information becomes available, differences are reflected in the consolidated statements of income.

Related Parties

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. For purposes of these consolidated financial statements, an affiliated company is an entity that is consolidated with 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.

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 in United States bank accounts are insured up to $250 by the Federal Deposit Insurance Corporation (FDIC). Also included in

3. Summary of Significant Accounting Policies (continued)

Cash and cash Equivalents are accounts that are used on a daily basis to settle open futures transactions and to cover required initial margin.

Loans and Receivables

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

Financial Liabilities

SCC measures financial liabilities which are primarily liabilities to affiliates, except derivative financial instruments, at amortized cost using the effective-interest method.

Accounts Receivable, net

The Company has accounts receivable as a result of SCWI activities which involve purchasing third-party accounts receivable from U.S. affiliated companies of Siemens Corporation. A general allowance in the amount of the expected loss is recognized at month end. The basis for the calculation is the obligor’s risk rating (reflecting probability of default) and incorporates a loss percentage in event of default based on the rating class. Country risk and specific customer/transactional risks are also considered.

Additionally, the Siemens Corporation affiliated companies act as collection agents on behalf of SCWI. Any cash receipts applicable to accounts receivables owned by SCWI that are collected by the Siemens Corporation affiliated companies are settled during the next monthly purchase cycle and are presented on the consolidated balance sheets in Accounts receivable, net.

Other Current Assets

Other current assets are mainly program fees receivable associated with the Supply Chain Finance Program’s external service provider. The need for a general allowance has been assessed and is currently not necessary.

3. Summary of Significant Accounting Policies (continued)

Other Current Liabilities

Included in Other current liabilities are income taxes payable 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.

Short-Term Debt and Current Maturities of Long-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 balance sheet is equal to the face value less the amount of the discount. The outstanding balance of commercial paper as of September 30, 2015 and 2014, was $1,727,687 and $999,664, respectively.

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. The Company paid $11,575 and $37,807 to Siemens Corporation during the years ended September 30, 2015 and 2014, respectively, pursuant to this agreement. As further discussed in Note 7, 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 income, unless related to items directly recognized in 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.

3. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

The assets and liabilities denominated in a foreign currency are translated into United States Dollars (USD) at rates of exchange in effect at the balance sheet date.

Foreign Currency Transactions

Transactions that are denominated in a currency other than the functional currency of SCC and SCWI are recorded at that functional currency applying the spot exchange rate as the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are re-valued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognized in net income. Those foreign currency-denominated transactions which are classified as non-monetary are re-measured using the historical spot exchange rate. Balance sheet related unrealized and realized foreign currency losses aggregating ($142,254) and ($83,946) in fiscal 2015 and 2014, respectively, are included in the consolidated statements of income within Loss on financial instruments. Foreign currency related derivatives unrealized and realized foreign currency gains aggregating $134,682 and $64,069 in fiscal 2015 and 2014, respectively, are also included in the consolidated statements of income within Loss on financial instruments.

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 income, if the derivative qualifies as a fair-value hedge.

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

3. Summary of Significant Accounting Policies (continued)

received or paid related to a recognized asset or liability (cash-flow hedge), a foreign-currency fair-value or cash-flow hedge (foreign currency hedge), or as a trading derivative instrument. 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 SFS 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 SFS. 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 highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

Changes in the fair value of a derivative that is highly 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 earnings.

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 8.

Recognition of Interest Income and Expense

Interest income 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 (continued)

Loss on Financial Instruments

Loss on financial instruments includes realized and unrealized foreign exchange and interest rate derivatives gains and losses. See Note 8 for a description of the Company's risk management strategies.

General and Administrative Expenses

Operating expenses by types are assigned to the General and administrative expenses functional area of the corresponding profit and cost centers**.**

Other Income

Included in Other income are services provided to Siemens affiliates of $4,288 and $3,944 for fiscal 2015 and 2014, respectively, which are related to Pension and In-house Treasury services. Also included in Other income are fees from SCWI and Supply Chain Finance Program management activities in the amount of $1,650 and $2,749 for fiscal 2015 and 2014, respectively. Other income is accrued as earned.

Accrued Liabilities

Accrued liabilities are recognized in the consolidated balance sheet when SCC 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. Additions to accrued liabilities and reversals are generally recognized in the consolidated statements of income.

Other Liabilities – Pension, Other Postretirement and Other Benefit Plans

The Company participates in the trusteed contributory and noncontributory, qualified and nonqualified defined benefit (pension) plans, a defined contribution plan, and non-pension postretirement 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 SCC Pension organization on behalf of Siemens Corporation. Additionally, the Company participates in

3. Summary of Significant Accounting Policies (continued)

Siemens AG's various share-based compensation and payment plans. These share-based payment plans at Siemens AG are designed as equity-settled plans, as well as cash-settled plans. SCC also incurs the cost of these share-based payment plans for eligible employees.

At September 30, 2015 and 2014, the Company's defined benefit pension plan and non-pension postretirement liabilities included in Other liabilities is $1,374 and $388, respectively. During Fiscal 2015, Siemens Corporation transferred $957 of Pension Liabilities to SCC which was treated as an equity transfer.

Recently Adopted Accounting Pronouncements

As of October 1, 2013, the Company adopted IFRS 13, *Fair Value Measurement*. The new standard defines fair value and standardizes disclosures on fair value measurements of both financial and non-financial instrument items. The standard is applied on a prospective basis. The adoption of IFRS 13 did not have a material impact on the consolidated financial statements.

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 July 2014, the IASB completed its project to replace IAS 39, *Financial Instruments; Recognition and Measurement* by publishing the final version of IFRS 9: *Financial Instruments*. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. The European Financial Reporting Advisory Group postponed its endorsement advice on IFRS 9. Siemens is currently assessing the impacts of adopting IFRS 9 on the company's consolidated financial statements.

(Dollars in Thousands, Unless Otherwise Noted)

4. Receivables From Affiliates

The Company provides treasury group services to affiliates and as of September 30, 2015 and 2014 the Company had receivables from affiliates as follows:

	2015	2014
Receivables from affiliates due within one year (interest rates range from -0.15% to 13.0 % in fiscal 2015 and 0.25% to 7.05 % in fiscal 2014)	**$ 22,834,145**	$ 21,549,728
Receivables from affiliates due beyond one year (interest rates range from 0.10% to 5.84% in fiscal 2015 and 0.22% to 5.84% in fiscal 2014)	**15,111,380**	7,728,200

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

	Amount
Fiscal year ending September 30:	
2016	$ 22,834,145
2017	2,558,371
2018	3,356,659
2019	774,613
2020	1,582,462
Thereafter	6,839,275

Interest income from affiliated companies was $355,534 and $263,016 in fiscal 2015 and 2014, respectively, and includes $36,002 and $22,185 of interest income from the Company's parent, Siemens Corporation in fiscal 2015 and 2014, respectively.

(Dollars in Thousands, Unless Otherwise Noted)

4. Receivables From Affiliates (continued)

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

	2015	2014
Healthcare Division	**$ 11,234,928**	$ 13,014,584
Siemens Corporation	**$6,040,855**	$4,319,967
Siemens Financial Services Division	**$3,285,014**	$2,443,605
Power and Gas Division	**1,131,746**	579,234
Other Siemens divisions	**1,141,602**	1,192,338
Total receivables from affiliates due within one year	**$ 22,834,145**	$ 21,549,728

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

	2015	2014
Siemens Financial Services Division	**$ 7,406,117**	$ 7,567,864
Dresser-Rand	**7,001,073**	–
Other Siemens divisions	**704,190**	160,336
Total receivables from affiliates due beyond one year	**$ 15,111,380**	$ 7,728,200

5. Liabilities to Affiliates

Liabilities to affiliates include the following at September 30:

	2015	2014
Liabilities to affiliates due within one year (interest rates range from -1.0% to 11.75% in fiscal 2015 and 0.00% to 5.70% in fiscal 2014)	**$ 14,876,853**	$ 14,277,084
Liabilities to affiliates due beyond one year (interest rates range from 0.58% to 4.59% in fiscal 2015 and from 0.48% to 3.91% in fiscal 2014)	**21,567,014**	14,239,104

(Dollars in Thousands, Unless Otherwise Noted)

5. Liabilities to Affiliates (continued)

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

	Amount
Fiscal year ending September 30:	
2016	$ 14,876,853
2017	3,174,479
2018	3,698,273
2019	3,139,156
2020	2,648,221
Thereafter	8,906,885

Interest expense related to liabilities to affiliates was $275,804 and $173,386 in fiscal 2015 and 2014, respectively.

As of September 30, 2015 and 2014, the Company has $21,846,252 and $14,746,994 loans payable within and beyond one year to Siemens Financieringsmaatschappij N.V. (SFM), an affiliated entity. Borrowings from SFM consist of both floating as well as fixed rate loans.

On February 16, 2012, the Company entered into a $1,404,000 term loan with SFM maturing 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.

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 £1,000,000 loan borrowings and related interest rate swap hedges. Hedge accounting adjustments of ($194,430) and ($106,523) in fiscal 2015 and 2014, respectively are included in the carrying

5. Liabilities to Affiliates (continued)

amount of the debt obligations as a result of the losses recorded in fiscal 2015 and 2014, respectively in connection with the implementation.

Effective October 1, 2013, the Company implemented hedge accounting for the above fixed-rate $1,404,000 loan borrowing and related interest rate swap hedge. Hedge accounting adjustments of ($39,223) and $4,067 are included in the carrying amount of the debt obligations as a result of the (losses) and gains recorded in fiscal 2015 and fiscal 2014, respectively in connection with the implementation.

For more information, please see Note 8, Derivative Financial Instruments and Hedging Activities.

The Company has recorded an unrealized fair market value loss of ($108,706) and ($9,037) as of September 30, 2015 and 2014, in connection with the cross-currency interest rate swaps which is included in Loss on financial instruments.

SCC has entered into a master loan agreement with SFM and intends to continue obtaining funding from SFM and SFM has confirmed to continue to fund SCC. SFM has agreed that any subsequent lending to SCC by SFM will be continued for periods exceeding twelve months from September 30, 2015. The loans payable to SFM are guaranteed by Siemens Corporation in an agreement dated August 18, 2015, as amended for up to a maximum value of $25,000,000 through September 30, 2020.

As of September 30, 2015 and 2014, the Company has $1,600,000 and $2,600,000, respectively of term loans payable within one year to Siemens AG.

(Dollars in Thousands, Unless Otherwise Noted)

6. Short-Term Debt and Current Maturities of Long-Term Debt

Short-term debt and current maturities of long-term debt consists of the following at September 30:

	2015		2014	
	Face Value	**Carrying Value**	**Face Value**	**Carrying Value**
Commercial paper (Interest rate is 0.26% in fiscal 2015 and 0.14% in 2014)	**$ 1,728,573**	**$ 1,727,687**	$ 1,000,000	$ 999,664

Commercial Paper Program

For working capital purposes, the Company has agreements with financial institutions under which it may issue up to $9,000,000 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 2015 and 2014, SCC issued commercial paper in varying amounts to fund the ongoing short-term capital requirements of the Siemens North American affiliates. Typically, these issues have a maturity of less than 90 days. Commercial paper outstanding at September 30, 2015 and 2014, was $1,727,687 and $999,664, respectively. All commercial paper issued in fiscal 2014 was completely repaid within the year. Interest rates ranged from 0.11% to 0.32% in fiscal 2015 and 0.10% to 0.20% in fiscal 2014. The total interest expense on commercial paper is $5,709 and $4,535 in fiscal 2015 and 2014, respectively.

Credit Facilities

The Company participates in three credit facilities which are available for general corporate purposes. The credit facilities as of September 30, 2015 and 2014, consisted of $7,985,335 and $8,599,435, respectively in committed unused lines of credit.

There is a €4,000,000 undrawn syndicated multi-currency revolving credit facility provided by a syndicate of international banks with a 5 year tenor and two one-year extension options. In 2015, the maturity has been extended to June 26, 2020, with one one-year extension options remaining.

(Dollars in Thousands, Unless Otherwise Noted)

6. Short-Term Debt and Current Maturities of Long-Term Debt (continued)

These facilities also included a $3,000,000 undrawn syndicated multi-currency revolving credit facility provided by a syndicate of international banks with a five year tenor and two one-year extension options, which was signed in September 2013. In 2015, the maturity has been extended by one year to September 27, 2020 with no extension option remaining.

Additionally, the Company participates in a third revolving €450,000 undrawn revolving credit facility provided by a German-based bank that was previously unused and expired on September, 2015 and 2014. This credit facility was extended to September 30, 2016, and is to be extended on a yearly basis.

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 €15,000,000 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.

7. Income Taxes

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

	2015	2014
Federal:		
Current	**$ 7,744**	$ 9,615
Deferred	**(15,781)**	(1,633)
State:		
Current	**1,611**	1,960
Deferred	**(2,878)**	(298)
Foreign:		
Current	**1,502**	1,004
Total	**$ (7,802)**	$ 10,648

Included in Other current liabilities are federal, state, and foreign income taxes payable. The amounts are primarily payable to the Company's parent, Siemens Corporation. The amount of income taxes payable as of September 30, 2015 and 2014, is $11,163 and $12,877, respectively.

7. Income Taxes (continued)

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) gains on loans related items and accrued expenses. The Company's effective income tax rate differs from the expected statutory rate primarily as a result of the foreign and state income taxes provision and the recognition of foreign income tax credits. The effective income tax rate is approximately 36.9% and 38.5% for September 2015 and 2014, respectively. The effective income tax rate primarily consisted of a federal income tax at a base rate of 35.0% plus a state rate of 6.0% for a combined rate of 38.9%, net of a federal benefit for state income tax, foreign income tax credits and reversals of prior years' foreign income tax liabilities that have been recorded and will not be requested for payment by the withholding agent due to various reasons. The state rate of 6.0% is prescribed by Siemens Corporation and is less than the applicable statutory rate.

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 Deferred income tax assets as of September 30, 2015 and 2014 was $32,679 and $13,647.

(Dollars in Thousands, Unless Otherwise Noted)

7. Income Taxes (continued)

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

	2015	2014
Assets:		
Unrealized market value of derivative financial instruments	**$ 58,315**	$ 2,897
Unrealized foreign exchange losses on affiliate loans	**(31,355)**	8,231
Unamortized interest rate swap termination adjustment	**2,515**	–
Allowance for doubtful accounts	**517**	525
Accrued interest – foreign affiliates	**569**	275
Other accruals	**2,118**	1,719
Total Deferred income tax assets	**$ 32,679**	$ 13,647

8. 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:

Financial Risk Management

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.

Within the various methodologies to analyze and manage risk, Siemens has implemented a system based on parametric variance-covariance Value at Risk (VaR). The VaR methodology provides a quantification of market risks based on historical volatilities and correlations of the

8. Derivative Financial Instruments and Hedging Activities (continued)

different risk factors under the assumptions of the parametric variance-covariance VaR model. The VaR figures are calculated based on historical volatilities and correlations, a ten day holding period, and a 99.5% confidence level for foreign currency exchange rate risk and interest rate risk as discussed below.

Actual results that are included in the consolidated statements of income may differ substantially from VaR figures due to fundamental conceptual differences.

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%. The concept of VaR is used for internal management of the treasury activities. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give risk 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. While this is considered to be a realistic assumption in almost all cases, it may not be valid during prolonged periods of severe market illiquidity. A 99.5% confidence level does not reflect losses that may occur beyond this level. There is a 0.5% statistical probability that losses could exceed the calculated VaR. The use of historical data as a basis for estimating the 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 denominated intercompany borrowings and foreign currency exchange contracts with affiliates

8. Derivative Financial Instruments and Hedging Activities (continued)

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 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 that 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 calculating the net currency positions in each currency. The Value at Risk, a ten day holding period and a confidence level of 99.5% resulted in a VaR of $2,285 as of September 30, 2015, compared to a VaR of $300 as of September 30, 2014. Changes in USD values of future cash flows denominated in foreign currency due to volatile foreign exchange rates might influence the unhedged net positions.

8. 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.

The Company aggregates the net foreign exchange rate exposure of its operations. As of September 30, 2015 and 2014, a 10% negative shift of the USD against all foreign currencies would have resulted in an insignificant change in future cash flows for fiscal years 2015 and 2014, 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.

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

	2015						
	EUR	**CAD**	**MXN**	**GBP**	**AUD**	**Other**	**Total**
	(In Millions USD)						
Balance sheet – financial receivables	**$ 423**	**$ 816**	**$ 170**	**$ 244**	**$ 438**	**$ 70**	**$ 2,161**
Balance sheet – financial liabilities	**(302)**	**(369)**	**(120)**	**(2,065)**	**(216)**	**(40)**	**(3,112)**
Net balance sheet exposure	**121**	**447**	**50**	**(1,821)**	**222**	**30**	**(951)**
Foreign exchange transaction exposure – third parties	**472**	**(616)**	**29**	**(55)**	**(226)**	**207**	**(189)**
Foreign exchange transaction exposure – affiliates	**(594)**	**112**	**(79)**	**1,880**	**4**	**(236)**	**1,087**
Economically hedged exposure	**$ (122)**	**$ (504)**	**$ (50)**	**$ 1,825**	**$ (222)**	**$ (29)**	**$ 898**
Change in future cash flows after hedging activities resulting from a 10% depreciation of the USD	**$ –**	**$ (6)**	**$ –**	**$ 1**	**$ –**	**$ –**	**$ (5)**

8. Derivative Financial Instruments and Hedging Activities (continued)

	2014						
	EUR	CAD	MXN	GBP	AUD	Other	Total
	(In Millions USD)						
Balance sheet – financial receivables	$ 385	$ 1,070	$ 210	$ 294	$ 450	$ 101	$ 2,510
Balance sheet – financial liabilities	(217)	(251)	(125)	(2,059)	(285)	(125)	(3,062)
Net balance sheet exposure	168	819	85	(1,765)	165	(24)	(552)
Foreign exchange transaction exposure – third parties	370	(1,049)	64	(111)	(169)	162	(733)
Foreign exchange transaction exposure – affiliates	(537)	221	(150)	1,876	6	(140)	1,276
Economically hedged exposure	$ (167)	$ (828)	$ (86)	$ 1,765	$ (163)	$ 22	$ 543
Change in future cash flows after hedging activities resulting from a 10% depreciation of the USD	$ –	$ (1)	$ –	$ –	$ –	$ –	$ (1)

As of September 30, 2015 and 2014, the Company had forward foreign exchange contracts outstanding with total notional USD equivalent amounts of $8,348,616 and $9,494,079 and had unrealized net (losses) gains of ($67,924) and $45,928 in 2015 and 2014, respectively. The foreign exchange contracts outstanding include total notional USD equivalent amounts of $2,801,855 and $2,593,143 which had unrealized net gains of $18,996 and $47,370 in 2015 and 2014, respectively that are related to the Siemens AG North American Affiliates. The foreign exchange contracts also include a cross currency interest rate swap of $1,584,000 in both 2015 and 2014 which had unrealized net (losses) gains of ($96,326) and $12,380 in 2015 and 2014, respectively related to Siemens AG. The fair value of the above forward foreign exchange contracts is reflected in Positive fair value of derivatives of $196,221 and $163,836 as of September 30, 2015 and 2014, respectively, and in Negative fair value of derivatives of $264,145 and $117,908 as of September 30, 2015 and 2014, 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, SFS 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.

8. Derivative Financial Instruments and Hedging Activities (continued)

Interest rate risk is measured by using either fair value sensitivity or cash flow sensitivity depending on whether the instrument has a fixed or variable interest rate. The total fair value sensitivity as well as the total cash flow sensitivity is generated by aggregating the sensitivities of the various exposures denominated in different currencies. Depending on whether the Company has a long or short interest rate position, interest rate risk can arise on increasing or decreasing market moves in the relevant yield curve.

Market rate moves 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, and to a lesser extent, cross currency swaps, forward rate agreements, interest rate caps and U.S. Treasury futures.

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. Under an interest rate swap agreement, the Company either agrees to pay an amount equal to a specified variable rate of interest times a notional principal amount, and to receive in return an amount equal to a specified fixed rate of interest times the same notional principal amount or receive a specified variable-rate amount and to pay a specified fixed-rate amount. The notional amounts of the contracts are not exchanged. No other cash payments are made unless the agreement is terminated prior to maturity, in which case the amount paid or received in settlement is established by agreement at the time of termination, and usually represents the net present value, at the then-current rate of interest, of the remaining obligations to exchange payments under the terms of the contract.

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 $80,067 as of September 30, 2015, increasing from the comparable value of $12,569 as of September 30, 2014. The significant increase since last year is mainly due to the increase of the medium- and long-term USD interest rate volatilities (3 years to 30 years) by 64% on average. The further reason, for the increase is the mismatch in interest fixing periods of the loans received from SFM which were on-lent to Dresser Rand in relation to that acquisition.

This interest rate risk also is related to the USD and GBP denominated long-term fixed rate liabilities to SFM.

8. 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 income as adjustments to Loss on financial instruments.

Effective October 1, 2012, the Company implemented hedge accounting for its fixed-rate £1,000,000 loan borrowings which are mentioned in Note 5.

Effective October 1, 2013, the Company implemented hedge accounting for its fixed-rate $1,404,000 loan borrowing which is also mentioned in Note 5.

Adjustments in the carrying amount of the debt obligations resulted in a loss of ($234,135) and ($104,450) in fiscal 2015 and 2014, respectively. The related swap agreements resulted in a gain of $235,380 and $106,191 in fiscal 2015 and 2014, respectively. Accordingly, the net effect recognized in Loss on financial instruments which represents the ineffective portion of the hedging relationship, amounts to $1,245 and $1,741 for fiscal 2015 and 2014, respectively. Net cash receipts and payments relating to such interest rate swap agreements are also recorded in Loss on financial instruments.

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 13 and 30 years life of the £1,000,000 loans. The positive market value difference at inception, October 1, 2013, amounted to $9,197 which is amortized using the effective yield method over the remaining 6 years life of the $1,404,000 loan. The amortization amount included in the above noted adjustments in the carrying amount of the debt obligations for fiscal 2015 and 2014 was $2,507 and $2,633, respectively which is recognized in the consolidated statements of income as adjustments to Loss on financial instruments. The remaining unamortized positive market value difference regarding the loans as of September 30, 2015 and 2014 is $31,298 and $33,805, respectively which will be amortized over the remaining life of the loans as stated above.

8. Derivative Financial Instruments and Hedging Activities (continued)

Non-Hedging Interest Rate Derivative Financial Instruments

The Company had interest rate swap contracts to pay variable rates of interest of an average of 2.35% and 2.57% as of September 30, 2015 and 2014, respectively and receive rates of interest of an average rate of 0.41% and 1.35% as of September 30, 2015 and 2014, respectively regarding the hedging of both loans receivables to and liabilities from affiliates. As of September 30, 2015 and 2014, the Company had interest rate swap contracts outstanding with notional amounts of $699,184 and $1,549,595, respectively, hedging receivables from affiliates. The notional amount of indebtedness with economic hedges as of September 30, 2015 and 2014, was $1,436,954 and $1,031,281, respectively and is related to interest rate swaps with Siemens AG. The notional amount of interest rate futures contracts as of September 30, 2015 and 2014, was $1,617,452 and 2,189,538, 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 are recorded at net fair value (including accrued interest) with the changes in fair value (including accrued interest) recognized in Loss on financial instruments. The fair value of these derivatives is reflected in Negative fair value of derivatives in the amount of $65,846 and $40,510 at September 30, 2015 and 2014, respectively, and Positive fair value of derivatives in the amount of $480 and $11,122 at September 30, 2015 and 2014, respectively. For the years ended September 30, 2015 and 2014, there were ($81,509) and ($31,342), respectively, of net realized and unrealized (losses) gains related to interest rate derivatives included in Loss on financial instruments.

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.

(Dollars in Thousands, Unless Otherwise Noted)

8. Derivative Financial Instruments and Hedging Activities (continued)

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 with its Receivables from affiliates and Long-term receivables from affiliates which are viewed as Siemens intercompany positions. The Company does not establish an allowance related to Receivables from affiliates.

The maximum credit exposure for all financial assets is the carrying amount on the balance sheet. The Company typically does not require collateral from counterparties. In accordance with the above methodologies, for the years ended September 30, 2015 and 2014, the Company recorded a credit valuation adjustment of $6 and $0, respectively.

The Company also uses its centralized financing and investment management system and activities to manage the risk associated with SCWI third-party accounts receivable purchasing activities from the Siemens Corporation affiliates.

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:

	2015	**2014**
Derivatives not designated as hedging instruments under IAS 39		
Interest rate contracts	**$ 2,136,139**	$ 2,580,876
Foreign exchange contracts	**8,348,616**	9,494,079
Futures contracts	**1,617,452**	2,189,538
Total	**$ 12,102,207**	$ 14,264,493

(Dollars in Thousands, Unless Otherwise Noted)

8. Derivative Financial Instruments and Hedging Activities (continued)

	2015	2014
Derivatives designated as hedging instruments under IAS 39		
Interest rate contracts	**$ 2,920,994**	$ 3,022,809

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	
	2015	2014	2015	2014
	Fair Value	Fair Value	Fair Value	Fair Value
Derivatives not designated as hedging instruments under IAS 39				
Interest rate contracts	**$ 480**	$ 11,122	**$ 65,846**	$ 40,510
Foreign exchange contracts	**196,215**	163,836	**264,145**	117,908
Total	**$ 196,695**	$ 174,958	**$ 329,991**	$ 158,418

	Positive Fair Value of Derivatives		Negative Fair Value of Derivatives	
	2015	2014	2015	2014
	Fair Value	Fair Value	Fair Value	Fair Value
Derivatives designated as hedging instruments under IAS 39				
Interest rate contracts	**$ 231,264**	$ 21,654	**$ –**	$ 25,521

(Dollars in Thousands, Unless Otherwise Noted)

8. 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 Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income 2015	2014
Interest rate and futures contracts	Loss on financial instruments	**$ (81,509)**	$ (31,342)
Foreign exchange contracts	Loss on financial instruments	**134,682**	64,069
Total		**$ 53,173**	$ 32,727

9. Fair Value of Financial Instruments

IAS 32, *Financial Instrument Disclosure and Presentation*, 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 approximates fair value, are not included in the table contained herein. Such assets and liabilities include Cash and cash equivalents, Receivables from affiliates – current, Accounts receivable-net, 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 at September 30, 2015 and 2014, 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.

9. Fair Value of Financial Instruments (continued)

The following methods and assumptions were used to estimate the fair value of significant financial instruments at September 30, 2015 and 2014:

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 and Long-term USD denominated term loans: The fair value of quoted notes and bonds is based on price quotations at the balance sheet date.

The Company limits default risks resulting from derivative financial instruments by a careful counterparty selection. Derivative financial instruments are generally transacted with financial institutions with investment grade credit ratings. The fair 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.

(Dollars in Thousands, Unless Otherwise Noted)

9. Fair Value of Financial Instruments (continued)

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

	2015		2014	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial instruments included in the consolidated balance sheets:				
Assets:				
Long-term receivables from affiliates	**$ 15,111,380**	**$ 16,480,369**	$ 7,728,200	$ 7,931,452
Liabilities:				
Short-term debt and current maturities of long-term debt	**1,727,687**	**1,728,573**	999,664	1,000,000
Long-term liabilities to affiliates	**21,567,014**	**23,316,416**	14,239,104	14,838,397

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:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Long-term receivables to affiliates	**$ –**	**$ 16,480,369**	**$ –**	**$ 16,480,369**
Derivative financial instruments	**$ –**	**427,959**	**$ –**	**$ 427,959**
Total	**$ –**	**$ 16,908,328**	**$ –**	**$ 16,908,328**
Financial liabilities measured at fair value:				
Short-term debt and current maturities of long-term debt	**$ –**	**$ 1,728,573**	**$ –**	**$ 1,728,573**
Long-term liabilities to affiliates	**$ –**	**23,536,266**	**$ –**	**23,536,266**
Derivative financial instruments	**$ –**	**329,991**	**$ –**	**329,991**
Total	**$ –**	**$ 25,594,830**	**$ –**	**$ 25,594,830**

(Dollars in Thousands, Unless Otherwise Noted)

9. Fair Value of Financial Instruments (continued)

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Long-term receivables to affiliates	$ –	$ 7,931,452	$ –	$ 7,931,452
Derivative financial instruments	–	$ 196,611	$ –	196,611
Total	$ –	$ 8,128,063	$ –	$ 8,128,063
Financial liabilities measured at fair value:				
Short-term debt and current maturities of long-term debt	$ –	$ 1,000,000	$ –	$ 1,000,000
Long-term liabilities to affiliates	$ –	14,824,594	$ –	14,824,594
Derivative financial instruments	–	183,939	–	183,939
Total	$ –	$ 16,008,533	$ –	$ 16,008,533

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

The Company did not hold any Level 1 and 3 assets or liabilities in fiscal 2015 and 2014.

10. 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 the rental payments, the payment of property taxes, assessments, and maintenance costs are required.

(Dollars in Thousands, Unless Otherwise Noted)

10. Commitments and Contingencies (continued)

The net rental payments were $632 and $639 for fiscal 2015 and 2014, respectively. At September 30, 2015, the future minimum rental payments for these leases, excluding renewal options under the leases, are as follows:

	Amount
Year ending September 30:	
2016	$ 622
2017	622
2018	622

11. Subsequent Events

The Company has evaluated subsequent events through November 25th, 2015, and has determined that no subsequent events have occurred that would require disclosure in the consolidated financial statements or accompanying notes.