

Siemens Healthineers

Half-Year Financial Report

First half of fiscal year 2019

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Introduction

Siemens Healthineers AG's half-year financial report complies with the applicable legal requirements of the German Securities Trading Act ("Wertpapierhandelsgesetz") and comprises condensed half-year consolidated financial statements, an interim group management report and a responsibility statement in accordance with section 115 of the German Securities Trading Act.

The half-year financial report should be read in conjunction with the annual report for fiscal year 2018.

A. Interim group management report

A.1 Results of operations

A.1.1 Revenue by segments and regions

(in millions of €)	First half		% Change	
	2019	2018	Act.	Comp. ¹
Siemens Healthineers	6,807	6,425	6%	4%
Therein:				
Imaging	4,157	3,889	7%	5%
Diagnostics	1,982	1,899	4%	3%
Advanced Therapies	747	720	4%	2%

¹ Year-over-year on a comparable basis, excluding currency translation and portfolio effects

Revenue by customer location				
(in millions of €)	First half		% Change	
	2019	2018	Act.	Comp. ¹
Europe, Commonwealth of Independent States, Africa, Middle East (EMEA)	2,174	2,098	4%	4%
Therein: Germany	422	408	3%	3%
Americas	2,729	2,512	9%	4%
Therein: United States	2,314	2,104	10%	4%
Asia, Australia	1,903	1,815	5%	4%
Therein: China	840	815	3%	3%
Siemens Healthineers	6,807	6,425	6%	4%

¹ Year-over-year on a comparable basis, excluding currency translation and portfolio effects

- Total revenue as reported by Advanced Therapies increased by 4% to €747 million; on a comparable basis modest revenue growth after a strong first half of fiscal year 2018; very strong comparable revenue growth in Asia and Australia as well as in EMEA, partly offset by a decrease in the Americas

Regions

- Solid comparable revenue growth in EMEA supported by all segments, including very strong increase in Advanced Therapies, strong increase in Imaging and slight increase in Diagnostics
- Solid comparable revenue growth in Germany; strong increase in Imaging and solid increase in Advanced Therapies partly offset by a decline in Diagnostics
- Moderate comparable revenue growth in the Americas, including the United States, in particular due to very strong development in Imaging; partly offset by slight growth in Diagnostics and a decline in Advanced Therapies
- Solid comparable revenue growth in Asia and Australia, in particular due to very strong development in Diagnostics and Advanced Therapies; slight comparable revenue growth in Imaging; China in particular showed significant comparable revenue growth in Diagnostics and Advanced Therapies

Siemens Healthineers

- Revenue increased nominally by 6% to €6,807 million; comparable revenue up by 4% supported by all segments, led by strong growth in Imaging
- Currency translation effects lifted revenue growth by 2 percentage points; portfolio transactions had a minimal effect on revenue development year-over-year

Segments

- Total revenue as reported by Imaging increased by 7% to €4,157 million; on a comparable basis strong revenue growth, especially given the strong first half of fiscal year 2018, particularly in computed tomography and molecular imaging and due to very strong growth in the Americas
- Total revenue as reported by Diagnostics increased by 4% to €1,982 million; on a comparable basis moderate revenue growth supported by all regions, especially due to a very strong growth in Asia and Australia

A.1.2 Income

(in millions of €)	First half	
	2019	2018
Profit	1,148	980
Therein:		
Imaging	837	742
Diagnostics	195	224
Advanced Therapies	143	137
Severance charges (and IPO costs in fiscal year 2018)	24	126
Profit adjusted for severance charges, in fiscal year 2018 additionally for IPO costs	1,172	1,107
Therein:		
Imaging	852	756
Diagnostics	198	234
Advanced Therapies	147	139
Profit margin adjusted for severance charges, in fiscal year 2018 additionally for IPO costs	17.2%	17.2%
Imaging	20.5%	19.4%
Diagnostics	10.0%	12.3%
Advanced Therapies	19.6%	19.3%

Reconciliation to consolidated financial statements:

(in millions of €)	First half	
	2019	2018
Profit	1,148	980
Financing interest	-84	-106
Amortization of intangible assets acquired in business combinations	-65	-64
Income tax expenses	-274	-192
Net income	725	618

Siemens Healthineers

- Profit increased by 17% to €1,148 million, mainly driven by volume effects and supported by the cost savings program, affected by negative currency effects; prior year was additionally impacted by centrally booked expenses of €94 million related to the initial public offering (IPO)
- Research and development expenses increased by €20 million, or 3%, mainly due to negative currency translation effects
- Selling and general administrative expenses increased slightly by €7 million, or 1%, due to negative currency translation effects; on a comparable basis expenses below prior year
- Profit margin adjusted for severance charges of €24 million with 17.2% on prior year level; profit margin of prior year was adjusted for severance charges of €33 million and IPO costs

Segments

- Profit generated by Imaging increased by 13%, mainly due to higher revenue and the cost savings program; slightly positive currency effects; profit margin adjusted for severance charges of €15 million (first half of fiscal year 2018: €14 million) at 20.5%
- Profit generated by Diagnostics decreased by 13%; mainly due to negative currency effects and higher ramp-up costs for Atellica Solution, partly driven by complex installations; profit margin adjusted for severance charges of €3 million (first half of fiscal year 2018: €10 million) at 10.0%
- Profit generated by Advanced Therapies increased by 4%; increase mainly driven by higher revenue and the cost savings program; slightly positive currency effects; profit margin adjusted for severance charges of €4 million (first half of fiscal year 2018: €1 million) at 19.6%

Reconciliation to consolidated financial statements

- Financing interest decreased due to implementation of post-IPO capital structure; held back by significant currency effects related to financing of business in Turkey; first half of fiscal year 2018 included a gain of €27 million due to the early redemption of loans in the course of the legal separation of Siemens Healthineers
- Income tax expenses increased by €82 million; the effective income tax rate increased from 23.7% to 27.4%, for further information please see → **Note 4 Income taxes** in the notes to the half-year consolidated financial statements
- Based on the effects described above, net income increased to €725 million, resulting in a 18% increase in basic earnings per share

A.2 Asset position

(in millions of €)	Mar 31, 2019	Sept 30, 2018
Current assets	6,672	7,199
Non-current assets	12,964	12,559
Total assets	19,636	19,758

Current assets

- Cash and cash equivalents increased by €258 million to €777 million as of March 31, 2019, mainly driven by a shift between the line items receivables from Siemens Group and cash and cash equivalents resulting from cash management activities
- In connection with financing of the operating business activities through participation in the Siemens Group's cash pooling and cash management, receivables from Siemens Group decreased from €1,396 million to €148 million, mainly driven by the dividend payout and the described shift between the line items receivables from Siemens Group and cash and cash equivalents
- Increase in inventories by €292 million to €2,121 million resulting mainly from the Atellica Solution ramp-up and to ensure deliveries to prevent production and supply bottlenecks

Non-current assets

- Increase in property, plant and equipment of €228 million to €2,147 million mainly related to the additions of equipment leased to customers in Diagnostics as well as advances to suppliers and construction in progress, primarily driven by investments in China and the United States in Diagnostics
- Goodwill increased by €189 million to €8,365 million due to currency translation effects

A.3 Financial position

A.3.1 Capital structure

(in millions of €)	Mar 31, 2019	Sept 30, 2018
Current liabilities	5,102	5,303
Non-current liabilities	5,812	5,780
Equity	8,722	8,675
Total liabilities and equity	19,636	19,758

Current liabilities

- Payables to Siemens Group declined from €639 million to €445 million due to the repayment of cash pooling balances by cause of positive cash flows
- Other current liabilities decreased from €1,223 million to €1,020 million mainly due to bonus payouts for the prior fiscal year

Non-current liabilities

- Provisions for pensions and similar obligations increased by €164 million to €1,008 million; for further information please see → *Note 6 Provisions for pensions and similar obligations* in the notes to the half-year consolidated financial statements
- Other liabilities to Siemens Group decreased by €93 million to €3,909 million despite negative currency translation effects, due to redemption of long-term liabilities

Equity

- For the purpose of dividend distribution, €390 million was transferred from the free capital reserve to retained earnings
- Retained earnings decreased mainly due to dividend distribution to shareholders of Siemens Healthineers AG in the second quarter of fiscal year 2019 in the amount of €699 million
- For further information please see → *Note 7 Equity* in the notes to the half-year consolidated financial statements

Credit facilities

- As part of the changes in receivables from and payables to Siemens Group, the revolving multi-currency credit line concluded with the Siemens Group was utilized in the amount of €0.4 billion

A.3.2 Cash flows

(in millions of €)	2019	First half 2018
Cash flows from:		
Operating activities	465	401
Investing activities	-291	-441
Financing activities	71	57

(in millions of €)	2019	First half 2018
Operating activities	465	401
Additions to intangible assets and property, plant and equipment	-285	-219
Free cash flow	179	183

Operating activities

- Cash flows from operating activities increased by €64 million to €465 million, driven by positive net income development and stable cash conversion from operating activities
- Offsetting effects from cash outflows related to operating leasing contracts to customers, which increased by €42 million to €159 million, driven mainly by Diagnostics, and from income taxes paid, which increased by €45 million to €239 million

Investing activities

- Cash outflows from investing activities decreased by €150 million to €291 million, due primarily to high cash outflows in the first half of fiscal year 2018 related to acquisition of EPOCAL INC. and FAST TRACK DIAGNOSTICS LUXEMBOURG S.à r.l
- In Diagnostics, capital expenditure increased in intangible assets driven by development of further products related to Atellica Solution; in property, plant and equipment by construction in progress in China and the United States
- Volume of investment activities of Imaging and Advanced Therapies remained unchanged

Financing activities

- Cash flows from financing activities increased by €14 million to a cash inflow of €71 million
- Cash outflow of €45 million from the buyback of 1,205,012 shares at an average share price of €37.34
- Cash outflow of €699 million related to dividends paid to the shareholders of Siemens Healthineers AG in the second quarter of fiscal year 2019
- Cash inflows from other transactions/financing with Siemens Group increased by €467 million to €853 million, in connection with the developments in current assets mentioned above

A.4 Outlook

We confirm our guidance for fiscal year 2019 and continue to expect comparable revenue growth to be in the range of 4% to 5% compared to fiscal year 2018. We expect our profit margin (adjusted for severance charges) for fiscal year 2019 to be in the range of 17.5% to 18.5%. Earnings per share are expected to be 20% to 30% above the level of fiscal year 2018. The outlook assumes that current foreign exchange rates continue for the remainder of fiscal year 2019.

In fiscal year 2019, we continue to expect comparable revenue growth in the Imaging segment to stay within our midterm target range of 4% to 6% and profit margin (adjusted for severance charges) to increase to a level within our midterm target range of 20% to 22%.

For the Advanced Therapies segment in fiscal year 2019, we continue to expect comparable revenue growth to reach our midterm target range of 4% to 6%, as in fiscal year 2018. We still expect a profit margin (adjusted for severance charges) at prior-year level, which is close to the midterm target of 20% to 22%.

For the Diagnostics segment, we continue to expect fiscal year 2019 comparable revenue growth to increase compared to the prior year, but come in below the midterm target range of 4% to 6%. Due to changed Atellica Solution ramp-up dynamics we now expect a profit margin (adjusted for severance charges) below the prior-year level.

A.5 Risks and opportunities

In our annual report for fiscal year 2018 we described certain risks which could have a material adverse effect on our business, asset and financial position, results of operations and reputation. In addition we described our most significant opportunities as well as the design of our risk management system.

During the reporting period, we identified no further significant risks and opportunities besides those presented in our annual report for fiscal year 2018 and in this half-year financial report.

Within the most significant risks, mitigating measures in our processes have, in our estimation, slightly reduced the risk from increasing governmental protectionism in the reporting period. Nonetheless, the risk of considerable adverse effects remains high and we continue to observe developments in order to quickly identify changes and make adjustments where necessary. Thus the most significant risks include cybersecurity, changes in regulations, laws and policies, and risks from pension obligations.

Additional risks and opportunities not known to us or that we currently consider immaterial could also affect our business operations. At present, no risks have been identified that in their known form either individually or in combination with other risks could endanger our ability to continue as a going concern. Please take note of → *C.3 Notes and forward-looking statements*.

B. Half-year consolidated financial statements

B.1 Consolidated statements of income

(in millions of €, earnings per share in €)	Note	First half 2019	First half 2018
Revenue		6,807	6,425
Cost of sales		-4,033	-3,752
Gross profit		2,773	2,673
Research and development expenses		-634	-614
Selling and general administrative expenses		-1,072	-1,065
Other operating income		17	18
Other operating expenses	11	-10	-101
Income from investments accounted for using the equity method, net		1	4
Interest income	11	13	31
Interest expenses	11	-76	-130
Other financial income, net		-13	-6
Income before income taxes		999	809
Income tax expenses	4	-274	-192
Net income		725	618
Thereof attributable to:			
Non-controlling interests		8	8
Shareholders of Siemens Healthineers AG		717	610
Basic earnings per share	5	0.72	0.61
Diluted earnings per share	5	0.72	0.61

B.2 Consolidated statements of comprehensive income

(in millions of €)	Note	First half 2019	First half 2018
Net income		725	618
Remeasurements of defined benefit plans	6	-119	-39
Therein: Income tax effects		48	-35
Other comprehensive income that will not be reclassified to profit or loss		-119	-39
Currency translation differences		194	111
Cash flow hedges	8	-25	-1
Therein: Income tax effects		12	-
Other comprehensive income that may be reclassified subsequently to profit or loss		169	110
Other comprehensive income, net of taxes		50	71
Comprehensive income		775	689
Thereof attributable to:			
Non-controlling interests		8	5
Shareholders of Siemens Healthineers AG		767	684

B.3 Consolidated statements of financial position

(in millions of €)	Note	Mar 31, 2019	Sept 30, 2018
Cash and cash equivalents	8	777	519
Trade and other receivables	8	2,528	2,419
Other current financial assets	8	66	77
Receivables from Siemens Group	8, 11	148	1,396
Contract assets		634	600
Inventories		2,121	1,829
Current income tax assets		66	56
Other current assets		326	303
Assets classified as held for sale	3	6	-
Total current assets		6,672	7,199
Goodwill		8,365	8,176
Other intangible assets		1,560	1,571
Property, plant and equipment		2,147	1,919
Investments accounted for using the equity method		46	38
Other financial assets	8	196	174
Deferred tax assets		365	394
Other assets		285	287
Total non-current assets		12,964	12,559
Total assets		19,636	19,758
Short-term debt and current maturities of long-term debt	8	105	57
Trade payables	8	1,320	1,278
Other current financial liabilities	8	119	82
Payables to Siemens Group	8, 11	445	639
Contract liabilities		1,649	1,524
Current provisions		280	295
Current income tax liabilities		164	206
Other current liabilities		1,020	1,223
Total current liabilities		5,102	5,303
Long-term debt	8	17	17
Provisions for pensions and similar obligations	6	1,008	845
Deferred tax liabilities		352	348
Provisions		150	157
Other financial liabilities	8	28	26
Other liabilities		348	386
Other liabilities to Siemens Group	8, 11	3,909	4,002
Total non-current liabilities		5,812	5,780
Total liabilities		10,914	11,083
Issued capital		1,000	1,000
Capital reserve		10,791	11,174
Retained earnings		-2,693	-3,019
Other components of equity		-389	-500
Total equity attributable to shareholders of Siemens Healthineers AG		8,709	8,656
Non-controlling interests		13	20
Total equity	7	8,722	8,675
Total liabilities and equity		19,636	19,758

B.4 Consolidated statements of cash flows

(in millions of €)	First half 2019	First half 2018
Net income	725	618
Adjustments to reconcile net income to cash flows from operating activities:		
Amortization, depreciation and impairments	290	248
Income tax expenses	274	192
Interest income/expenses, net	63	99
Income related to investing activities	-3	-3
Other non-cash income/expenses, net	13	38
Change in operating net working capital		
Contract assets	-24	-176
Inventories	-228	-251
Trade and other receivables	-51	108
Trade payables	12	31
Contract liabilities	90	71
Change in other assets and liabilities	-309	-269
Additions to assets leased to others in operating leases	-159	-117
Income taxes paid	-239	-72
Income taxes paid by Siemens Group on behalf of Siemens Healthineers	-	-122
Dividends received	1	1
Interest received	11	6
Cash flows from operating activities	465	401
Additions to intangible assets and property, plant and equipment	-285	-219
Purchase of investments and financial assets for investment purposes	-3	-
Acquisitions of businesses, net of cash acquired	-8	-227
Disposal of investments, intangible assets and property, plant and equipment	3	4
Disposal of businesses, net of cash disposed	2	-
Cash flows from investing activities	-291	-441
Purchase of treasury shares	-45	-
Change in short-term debt and other financing activities	43	2
Interest paid	-2	-3
Dividends paid to shareholders of Siemens Healthineers AG ¹	-699	-230
Dividends paid to non-controlling interests	-15	-9
Interest paid to Siemens Group	-64	-90
Other transactions/financing with Siemens Group	853	386
Cash flows from financing activities	71	57
Effect of changes in exchange rates on cash and cash equivalents	13	-5
Change in cash and cash equivalents	258	12
Cash and cash equivalents at beginning of period	519	184
Cash and cash equivalents at end of period	777	196

¹ Dividends to Siemens Group in fiscal year 2018.

B.5 Consolidated statements of changes in equity

(in millions of €)	Other components of equity									Total equity
	Issued capital	Capital reserve	Retained earnings/ Net assets ¹	Currency translation differences	Equity instruments measured at fair value through other comprehensive income ²	Cash flow hedges	Treasury shares at cost	Total equity attributable to shareholders of Siemens Healthineers AG ³	Non-controlling interests	
Balance as of October 1, 2017	-	-	4,045	-762	-	-2	-	3,281	8	3,289
Net income	-	-	610	-	-	-	-	610	8	618
Other comprehensive income, net of taxes	-	-	-39	114	-	-1	-	74	-3	71
Profit and loss transfer with Siemens Group	-	-	-778	-	-	-	-	-778	-	-778
Dividends	-	-	-230	-	-	-	-	-230	-9	-239
Other changes in equity	-	-	4,833	-	-	-	-	4,833	5	4,838
Allocation of net assets according to legal structure	1,000	11,169	-12,169	-	-	-	-	-	-	-
Balance as of March 31, 2018	1,000	11,169	-3,728	-648	-	-3	-	7,790	9	7,799
Balance as of September 30, 2018	1,000	11,174	-3,019	-493	1	2	-10	8,656	20	8,675
Effect of retrospectively adopting IFRS 9, Financial Instruments	-	-	39	-	-35	-	-	4	-	4
Balance as of October 1, 2018	1,000	11,174	-2,980	-493	-34	2	-10	8,659	20	8,679
Net income	-	-	717	-	-	-	-	717	8	725
Other comprehensive income, net of taxes	-	-	-119	194	-	-25	-	50	-	50
Dividends	-	-	-699	-	-	-	-	-699	-15	-714
Share-based payment	-	7	-2	-	-	-	-	5	-	5
Purchase of treasury shares	-	-	-	-	-	-	-45	-45	-	-45
Reissuance of treasury shares	-	-	-	-	-	-	22	22	-	22
Other changes in equity	-	-390	390	-	-	-	-	-	-	-
Balance as of March 31, 2019	1,000	10,791	-2,693	-299	-34	-23	-33	8,709	13	8,722

¹ As of October 1, 2017, Siemens Healthineers was not a legally separable subgroup for which consolidated financial statements had to be prepared according to IFRS 10, Consolidated Financial Statements. Therefore, combined financial statements were prepared in which net assets attributable to Siemens Group were presented.

² Available-for-sale financial assets in fiscal year 2018.

³ Siemens Group as of October 1, 2017.

B.6 Notes to half-year consolidated financial statements

Note 1 Basis of presentation

The condensed half-year consolidated financial statements as of March 31, 2019, present the operations of Siemens Healthineers AG and its subsidiaries (collectively, the "Group" or "Siemens Healthineers"). The half-year consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), in particular in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. The half-year consolidated financial statements were prepared and published in millions of euros (€ million).

The results achieved in the interim reporting period are not necessarily indicative of future results. For further information on inventories, on disaggregation of revenue and on segment information, see disclosures in the interim group management report.

The half-year consolidated financial statements are unaudited. They were authorized for issue by the Managing Board of Siemens Healthineers AG on April 26, 2019.

Note 2 Accounting policies

The accounting policies applied for the preparation of the half-year consolidated financial statements are substantially consistent with those applied for the preparation of the consolidated financial statements for fiscal year 2018, with the exception where accounting pronouncements have been applied for the first time in fiscal year 2019. Income tax expenses are determined in interim reporting periods on the basis of current estimated annual effective tax rate of Siemens Healthineers for the overall year.

Recently adopted accounting pronouncements

IFRS 9, Financial Instruments, was adopted for the first time as of October 1, 2018. IFRS 9 introduces a single approach for the classification and measurement of financial assets, provides a new impairment model and includes new provisions regarding hedge accounting. IFRS 9 was applied retrospectively with the exception of the new hedge accounting rules. Comparative prior-year information was not restated and continues to be presented in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

The new regulations of IFRS 9 had only very limited impacts. IFRS 9 changed the classification of financial assets mainly regarding the available-for-sale financial assets in accordance with IAS 39. Available-for-sale financial assets in accordance with IAS 39 were reclassified and measured at fair value through profit or loss (carrying amount as of October 1, 2018: €13 million) or at fair value through other comprehensive income (carrying amount as of October 1, 2018: €40 million) in accordance with IFRS 9. The new impairment model did not have any material effect on the amount of valuation allowances on debt instruments. All previ-

ously existing hedging relationships also met the hedge accounting requirements under IFRS 9.

Transition effects from the first-time adoption of IFRS 9 were recognized cumulatively in equity as of October 1, 2018. Equity increased in total by €4 million. Thereby, retained earnings increased by €39 million whereas other components of equity decreased by €35 million.

Recent accounting pronouncements, not yet adopted

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019. Siemens Healthineers will adopt the standard for the fiscal year beginning as of October 1, 2019, by applying the modified retrospective approach, that is, comparative figures for the preceding year would not be adjusted. Currently, it is expected that the majority of the transition effect relates to real estate leased by Siemens Healthineers. The effects of adopting IFRS 16 on the consolidated financial statements are currently evaluated. A balance sheet extension in a low single-digit percentage area is expected as of October 1, 2019, (opening balance). When IFRS 16 is applied, expenses for current operating leases will be no longer recognized on a straight-line basis. Instead, depreciation expenses for the right-of-use assets and interest expenses as well as repayment of the lease liabilities will be recognized. This results in a deterioration in cash flows from financing activities and an improvement in cash flows from operating activities. Siemens Healthineers is currently assessing further impacts of adopting IFRS 16 on the consolidated financial statements. It is intended to apply the practical expedients permitted by IFRS 16 to a large extent.

Note 3 **Assets classified as held for sale**

The line item assets classified as held for sale related to the sale of assets in conjunction with the activities of development, manufacturing and maintenance of mobile X-ray systems and related logistics activities. The closing of the disposition took place as of April 1, 2019.

Note 4 **Income taxes**

In the first half of fiscal year 2019, benefits from international procedures on the avoidance of double taxation of €29.2 million were recognized. This reduced the tax rate for the first half of fiscal year 2019 by 2.9 percentage points, resulting in a tax rate of 27.4%. The tax rate for the first half of fiscal year 2018 of 23.7% was positively influenced by U.S. tax reform and by adjustments of current taxes from prior fiscal years.

Note 5 **Earnings per share**

The basis for the calculation of basic earnings per share was the weighted average number of outstanding shares of Siemens Healthineers AG amounting to 999,151,069 shares for the first half of fiscal year 2019 (for the first half of fiscal year 2018: 1,000,000,000 shares). When computing diluted earnings per share, additional shares from dilutive share-based payment plans were considered, amounting to 630,981 shares (first half of fiscal year 2018: 10,182 shares).

Note 6 **Provisions for pensions and similar obligations**

Provisions for pensions and similar obligations increased by €164 million in the first half of fiscal year 2019 and amounted to €1,008 million as of March 31, 2019 (September 30, 2018: €845 million). The increase resulted mainly from an increase of the defined benefit obligation due to a decrease of the weighted-average discount rate from 2.9% as of September 30, 2018, to 2.4% as of March 31, 2019. This effect was partly offset by a positive performance of plan assets.

Note 7 **Equity**

In the first half of fiscal year 2019, Siemens Healthineers repurchased 1,205,012 shares utilizing the authorization granted by the extraordinary Shareholders' Meeting held on February 19, 2018, and transferred 584,698 treasury shares in conjunction with share-based payment plans.

In the first quarter of fiscal year 2019, the Managing Board decided in the course of the appropriation of income to withdraw €390 million from the free capital reserve of Siemens Healthineers AG and transfer this amount to retained earnings for the purpose of dividend distribution. In the second quarter of fiscal year 2019, a dividend of €0.70 per share was paid.

Note 8 Financial instruments

The following tables show the carrying amounts and measurement details of each category of financial assets and liabilities:

Carrying amounts as of Mar 31, 2019							
(in millions of €)	Category of financial assets and liabilities (IFRS 9) ¹	Measured at amortized cost	Measured at fair value			Amounts according to IAS 17	Total
			Level 1	Level 2	Level 3		
Cash and cash equivalents	AC	777	-	-	-	-	777
Trade receivables ²	AC	2,495	-	-	-	-	2,495
Receivables from finance leases ³	n.a.	-	-	-	-	151	151
Receivables from Siemens Group	AC	148	-	-	-	-	148
Other current and non-current financial assets ²							
Derivatives designated as hedging instruments	n.a.	-	-	4	-	-	4
Derivatives not designated as hedging instruments	FVtPL	-	-	10	-	-	10
Equity instruments and fund shares measured at fair value through profit or loss	FVtPL	-	-	9	7	-	16
Equity instruments measured at fair value through other comprehensive income	FVtOCI	-	-	-	41	-	41
Other	AC	73	-	-	-	-	73
Total financial assets		3,493	-	23	48	151	3,715
Short-term and current maturities of long-term debt as well as long-term debt ⁴							
Trade payables	AC	1,320	-	-	-	-	1,320
Obligations under finance leases ⁵	n.a.	-	-	-	-	26	26
Payables and other liabilities to Siemens Group	AC	4,354	-	-	-	-	4,354
Other current and non-current financial liabilities							
Derivatives designated as hedging instruments	n.a.	-	-	38	-	-	38
Derivatives not designated as hedging instruments	FVtPL	-	-	21	-	-	21
Contingent consideration	FVtPL	-	-	-	38	-	38
Other	AC	51	-	-	-	-	51
Total financial liabilities		5,821	-	59	38	26	5,944

¹ AC = Financial Assets/Liabilities at Amortized Cost;
FVtPL = Financial Assets/Liabilities at Fair Value through Profit or Loss;
FVtOCI = Financial Assets at Fair Value through Other Comprehensive Income;
n.a. = not applicable.

² Excluding separately disclosed receivables from finance leases.

³ Reported in the line items trade and other receivables as well as other financial assets.

⁴ Excluding separately disclosed obligations under finance leases.

⁵ Reported in the line items short-term debt and current maturities of long-term debt as well as long-term debt.

Carrying amounts as of Sept 30, 2018							
(in millions of €)	Category of financial assets and liabilities (IAS 39) ¹	Measured at amortized cost	Measured at fair value			Amounts according to IAS 17	Total
			Level 1	Level 2	Level 3		
			Cash and cash equivalents	n.a.	519		
Trade receivables ²	LaR	2,388	-	-	-	2,388	
Receivables from finance leases ³	n.a.	-	-	-	139	139	
Receivables from Siemens Group	LaR	1,396	-	-	-	1,396	
Other current and non-current financial assets ²							
Derivatives designated as hedging instruments	n.a.	-	-	15	-	15	
Derivatives not designated as hedging instruments	FAHFT	-	-	12	-	12	
Available-for-sale financial assets	AFS	38	9	-	-	47	
Other	LaR	69	-	-	-	69	
Total financial assets		4,410	9	27	-	139	4,585
Short-term and current maturities of long-term debt as well as long-term debt ⁴	FLaC	48	-	-	-	48	
Trade payables	FLaC	1,278	-	-	-	1,278	
Obligations under finance leases ⁵	n.a.	-	-	-	25	25	
Payables and other liabilities to Siemens Group	FLaC	4,640	-	-	-	4,640	
Other current and non-current financial liabilities							
Derivatives designated as hedging instruments	n.a.	-	-	11	-	11	
Derivatives not designated as hedging instruments	FLHFT	-	-	13	-	13	
Other	FLaC	84	-	-	-	84	
Total financial liabilities		6,051	-	24	-	25	6,100

¹ LaR = Loans and Receivables;
FAHFT = Financial Assets Held-for-Trading;
AFS = Available-for-Sale Financial Assets;
FLaC = Financial Liabilities Measured at Amortized Cost;
FLHFT = Financial Liabilities Held-for-Trading;
n.a. = not applicable.

² Excluding separately disclosed receivables from finance leases.

³ Reported in the line items trade and other receivables as well as other financial assets.

⁴ Excluding separately disclosed obligations under finance leases.

⁵ Reported in the line items long-term debt as well as short-term debt and current maturities of long-term debt.

The carrying amounts of the items cash and cash equivalents, short-term and current maturities of long-term debt, trade payables, payables to Siemens Group as well as other current financial assets and other current financial liabilities measured at amortized cost approximated their fair value due to the short-term maturities of these instruments.

Trade receivables, receivables from finance leases, receivables from Siemens Group and other non-current financial assets measured at amortized cost were evaluated based on various parameters, such as interest rates, specific country risks and individual creditworthiness of the debtors. Based on this evaluation, allowances for these items were recognized. The carrying amounts of the relevant items net of allowances approximated their fair values.

The carrying amount of other liabilities to Siemens Group which related to U.S. dollar denominated long-term loans was €3,810 million as of March 31, 2019 (September 30, 2018: €3,698 million). The corresponding fair value, which is based on prices provided by price service agencies (level 2), amounted to €3,603 million as of March 31, 2019 (September 30, 2018: €3,358 million). The carrying amounts of the remaining other lia-

bilities to Siemens Group approximated their fair value as the interest rates approximated market interest rates.

The carrying amounts of obligations under finance leases as well as other non-current financial liabilities measured at amortized cost approximated their fair value, which is determined by discounting future cash flows using market rates.

The determination of the fair values of derivatives depended on the specific type of instrument. The fair values of forward exchange contracts were based on forward exchange rates. Options were generally valued based on quoted market prices or based on option pricing models. In determining the fair values of derivatives, no compensating effects from underlying transactions were taken into consideration.

Equity instruments measured at fair value through profit or loss and through other comprehensive income, respectively, are not publicly listed. Therefore, the fair values were generally derived from a discounted cash flow valuation (level 3). Expected cash flows are subject to future market and business developments as well as price volatility. The discount rates applied take into account respective risk-adjusted capital costs.

The fair values of contingent purchase price liabilities were derived from probability-weighted future payments which mainly depend on the achievement of technical and commercial milestones as well as on the achievement of sales targets (level 3).

The following table shows the composition of Siemens Healthineers' debt:

(in millions of €)	Mar 31, 2019	Sept 30, 2018
Short-term debt and current maturities of long-term debt	105	57
Thereof:		
Loans from banks	96	48
Obligations under finance leases	9	9
Payables to Siemens Group from financing activities	439	632
Total current debt	544	689
Long-term debt	17	17
Thereof:		
Obligations under finance leases	17	17
Other liabilities to Siemens Group from financing activities	3,909	4,002
Total non-current debt	3,926	4,019
Total debt	4,470	4,707

Note 9 Share-based payment

In the first half of fiscal year 2019, under the Share Matching program, members of senior management and other employees were again offered participation in the share matching plan, the monthly investment plan and the base share program. Whereas the plans of the previous fiscal year entitled the beneficiary to receive Siemens AG shares, the plans in the first half of fiscal year 2019 entitled the beneficiary for the first time to receive Siemens Healthineers AG shares. In the first half of fiscal year 2019, 143,487 shares were granted under the share matching plan and the base share program.

Note 10 **Segment information**

(in millions of €)	External revenue		Intersegment revenue		Total revenue		Profit ¹		Mar 31, 2019	Assets Sept 30, 2018	Free cash flow		Additions to other intangible assets and property, plant and equipment		Amortization, deprecia- tion and impairments	
	2019	First half 2018	2019	First half 2018	2019	First half 2018	2019	First half 2018			2019	First half 2018	2019	First half 2018	2019	First half 2018
Imaging	4,016	3,758	142	132	4,157	3,889	837	742	6,679	6,258	555	504	64	61	71	64
Diagnostics	1,982	1,899	-	-	1,982	1,899	195	224	5,184	4,676	-150	-108	314	321	114	92
Advanced Therapies	745	711	2	9	747	720	143	137	969	904	97	108	10	5	6	4
Total segments	6,742	6,368	144	140	6,886	6,508	1,175	1,103	12,831	11,838	502	504	388	386	192	160
Reconciliation to consolidated financial statements	64	57	-144	-140	-80	-83	-175	-294	6,804	7,920	-322	-322	67	66	98	88
Siemens Healthineers	6,807	6,425	-	-	6,807	6,425	999	809	19,636	19,758	179	183	456	452	290	248

¹ Siemens Healthineers: Income before income taxes.

Accounting policies for segment information are generally the same as those described in the annual report for fiscal year 2018.

Revenue

Siemens Healthineers' revenue included revenue from contracts with customers and revenue from lease contracts. In the first half of fiscal year 2019, revenue from lease contracts amounted to €96 million (first half of fiscal year 2018: €70 million).

For each of the segments, revenue mainly results from performance obligations satisfied at a point in time, especially in the case of the sale of products, including consumables and reagents in the Diagnostics segment. However, the performance obligations related to maintenance contracts for products sold are generally satisfied over time with revenue recognized on a straight-line basis.

Profit

(in millions of €)	2019	First half 2018
Total segments' profit	1,175	1,103
Financing interest	-84	-106
Centrally carried pension service and administration expenses	-6	-15
Amortization of intangible assets acquired in business combinations	-65	-64
Corporate items	-22	-110
Corporate treasury, Siemens Healthineers Real Estate, eliminations and other items	1	1
Total reconciliation to consolidated financial statements	-175	-294
Siemens Healthineers' income before income taxes	999	809

Assets

(in millions of €)	Mar 31, 2019	Sept 30, 2018
Total segments' assets	12,831	11,838
Asset-based adjustments	1,885	2,943
Therein:		
Assets corporate treasury	836	586
Assets Siemens Healthineers Real Estate	595	611
Receivables from Siemens Group from financing activities	140	1,391
Current income tax assets and deferred tax assets	431	450
Liability-based adjustments	4,920	4,977
Total reconciliation to consolidated financial statements	6,804	7,920
Siemens Healthineers' total assets	19,636	19,758

Free cash flow

(in millions of €)	2019	First half 2018
Total segments' free cash flow	502	504
Tax-related cash flows	-239	-195
Corporate items and other	-84	-127
Total reconciliation to consolidated financial statements	-322	-322
Siemens Healthineers' free cash flow	179	183

Note 11 Related party transactions

Siemens Healthineers maintained business relations with Siemens AG and its subsidiaries (collectively, the “Siemens Group”).

Transactions with the Siemens Group

Sales of goods and services and other income as well as purchases of goods and services and other expenses from transactions with the Siemens Group in the first half of fiscal years 2019 and 2018 were as follows:

(in millions of €)	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	2019	First half 2018	2019	First half 2018
Siemens AG	3	4	119	206
Other companies of the Siemens Group	130	145	110	133
Total	133	149	229	339

Siemens Healthineers received in the first half of fiscal year 2019 support from the Siemens Group for central corporate services resulting in expenses of €168 million (first half of fiscal year 2018: €259 million). In the context of the initial public offering (IPO) services amounting to €92 million were provided by the Siemens Group in the first half of fiscal year 2018. The IPO-related expenses are included in the line item other operating expenses of the consolidated statement of income.

Receivables from and payables to Siemens Group

The receivables from and payables to Siemens Group were as follows:

(in millions of €)	Receivables		Payables	
	Mar 31, 2019	Sept 30, 2018	Mar 31, 2019	Sept 30, 2018
Siemens AG	3	1,026	514	869
Other companies of the Siemens Group	146	371	3,840	3,771
Total	148	1,396	4,354	4,640

In connection with financing of operating activities through participation in the Siemens Group’s cash pooling and cash management, receivables from Siemens Group decreased in the first half of fiscal year 2019. This development was caused mainly by the dividend payout and a shift between the line items receivables from Siemens Group and cash and cash equivalents resulting from cash management activities. Payables to Siemens AG decreased due to the repayment of loans.

In the first half of fiscal year 2019, interest expenses from financing arrangements with the Siemens Group amounted to €68 million (first half of fiscal year 2018: €113 million). The decrease was due primarily to the early partial redemption of loans in the course of the legal separation of Siemens Healthineers. In the first half of fiscal year 2018, the early redemption resulted in interest income in the amount of €27 million.

C. Additional information

C.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the half-year consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, April 26, 2019

Siemens Healthineers AG
The Managing Board

Dr. Bernhard Montag

Dr. Jochen Schmitz

Michael Reitermann

C.2 Review report

To Siemens Healthineers AG, Munich

We have reviewed the half-year consolidated financial statements comprising the consolidated statements of income, comprehensive income, financial position, cash flows and changes in equity, and notes to half-year consolidated financial statements, and the interim group management report, of Siemens Healthineers AG, Munich for the period from October 1, 2018 to March 31, 2019 which are part of the half-year financial report pursuant to Sec. 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the half-year consolidated financial statements in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the half-year consolidated financial statements and the interim group management report based on our review.

We conducted our review of the half-year consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany) and in supplementary compliance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the half-year consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed a financial statement audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the half-year consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, April 26, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl
Wirtschaftsprüfer
[German Public Auditor]

Tropschug
Wirtschaftsprüferin
[German Public Auditor]

C.3 Notes and forward-looking statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens Healthineers that may constitute forward-looking statements. These statements may be identified by words such as “expect”, “forecast”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate”, “will”, “target” or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens Healthineers’ management, of which many are beyond Siemens Healthineers’ control. As they relate to future events or developments, these statements are subject to a number of risks, uncertainties and factors, including but not limited to those described in the respective disclosures. Should one or more of these risks, uncertainties or factors materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens Healthineers may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. All forward-looking statements only speak as of the date when they were made and Siemens Healthineers neither intends nor assumes any obligation, unless required by law, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP measures). These supplemental financial measures may have limitations as analytical tools and should not be viewed in isolation or as alternatives to measures of Siemens Healthineers’ net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its half-year consolidated financial statements and consolidated financial statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently, which may therefore not be comparable.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures to which they refer.

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For technical reasons, there may be differences in formatting between this document and those published pursuant to legal requirements.

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