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Siemens Healthineers lays out strategy to bolster market leadership beyond 2025

- **Siemens Healthineers well prepared to take advantage of paradigm shift and structural growth opportunities in healthcare**
- **2015 - 2017 performance illustrates strong financial profile**
- **Strategy aimed at accelerating profitable growth and delivering return**

Siemens Healthineers today laid out its strategy to bolster its market leadership by 2025 and beyond.

"It is a pleasure to talk about Siemens Healthineers, a business well prepared to take advantage of the paradigm shifts in healthcare," said Michael Sen, Chairman of the Supervisory Board of Siemens Healthineers and the Siemens Managing Board member responsible, among other things, for the company's healthcare activities. "As a separate listed entity, Siemens Healthineers will have the entrepreneurial flexibility to actively shape its industry with a view to accelerating profitable growth and deliver return. It will also have direct access to the capital market, which will improve its ability to fund investment. Siemens will continue to actively support Siemens Healthineers as a majority shareholder."

Global powerhouse in healthcare

With revenue in fiscal 2017 of €13.8 billion, of which more than 55 percent is recurring, and an adjusted Profit of €2.5 billion (equalling approximately an adjusted Profit margin of 18 percent)¹, Siemens Healthineers is a global powerhouse in healthcare. More than 47,000 highly skilled employees in 75 countries have helped build an installed base of approximately 600,000 active systems, which, in turn, enable around 240,000 patient touchpoints every hour. Through the breadth and

¹ Adj. for severance (EBITDA, Profit and net income) and for PPA (net income).

depth of its portfolio at the core of clinical decision-making, the company enjoys what it believes to be a unique relevance in the healthcare industry.

Bernd Montag, CEO of Siemens Healthineers, said: “Siemens Healthineers is a truly global innovator with unique scale. Our excellent strategic positioning, our strength in innovation and our balanced geographic footprint make us one of the main long-term beneficiaries of the significant structural growth inherent in our markets. We have every intention of capturing these opportunities in the long term.”

Financials

Siemens Healthineers' revenue in fiscal 2017 was broadly balanced across geographies: 41 percent Americas, 32 percent EMEA, 28 percent Asia-Pacific. Importantly, more than 55 percent was generated by reagents and consumables as well as services and is therefore recurring. Organic annual revenue growth has been around four percent on average since 2015. During that period, the company expanded its profitability to an adjusted Profit margin of 18.3 percent in fiscal 2017, from 17.2 percent in fiscal 2015. Free cash flow conversion (as a percentage of reported Profit) has been continuously high with approximately 90 percent throughout.

Paradigm shifts in global healthcare

Siemens Healthineers estimates its core markets at more than €50 billion per year and expects these markets to grow from 2016 to 2021 by three to five percent on average annually, with spending driven by the megatrends of a growing and aging population, the rise of chronic diseases, as well as improved access to healthcare in emerging markets. Given that healthcare productivity has historically lagged behind that of other industries, horizontal and vertical consolidation is progressing in the industry, and governments and insurers are changing financial incentive systems to transform healthcare delivery from volume to value. At the same time, medicine is becoming more precise and more accessible – and patients are becoming empowered.

These changes are being accelerated by digitalization and the use of artificial intelligence. Benefiting from an abundant availability, big data is becoming a source of value creation in the sector. With its strong market positions across the continuum of care Siemens Healthineers is well positioned to capture the opportunities the

market has to offer. The company will continue to be an innovating and transforming force in its industry.

Leading Imaging Business

Siemens Healthineers is a leader in the global imaging industry. It estimates the industry to be a €17 billion equipment market that will grow at an annual rate of around three percent on average. The Imaging segment offers an innovative, comprehensive product portfolio in magnetic resonance, computed tomography, X-ray products, ultrasound and molecular imaging technologies. It is the company's largest revenue contributor, generating €8.2 billion in fiscal 2017, of which approximately 40 percent is recurring service revenue split almost evenly between the Americas, EMEA and Asia-Pacific.

Strong foundation in Diagnostics

With revenue of €4.2 billion in fiscal 2017, of which more than 90 percent is recurring, and No. 2 market positions across all geographic regions, the company's second largest business by revenue is Diagnostics, which operates in an estimated €30 billion global market, which the company expects to grow at around five percent on average annually from 2016 to 2021.

Siemens Healthineers recently launched Atellica Solution, which holds great potential for becoming one of the company's future growth and profitability engines. Atellica Solution is aimed at addressing the key productivity challenges of today's diagnostic laboratories, being capable of running up to 440 tests per hour and of transporting samples up to ten times faster than conventional conveyers. It includes an efficient sample management system designed to address common clinical laboratory challenges, thus allowing diagnostic professionals to concentrate on driving better outcomes.

Market leader in Advanced Therapies

Siemens Healthineers is also a market leader, across all geographies, in Advanced Therapies. Advanced Therapies is at the forefront of the paradigm shift in healthcare, particularly in transforming surgery toward minimally invasive procedures empowered by image-guided therapy. A measure of Siemens Healthineers' leadership in this area is the fact that it generated revenue of €1.5 billion in fiscal 2017 with a 40 percent service share in a market estimated to be

around €3 billion in 2016. The company estimates the equipment market to grow at about four percent per year on average until 2021. The company collaborates with technology partners, device companies and customers in its product ranges in angio systems, mobile c-arms and hybrid operating rooms.

Strategy and outlook

Siemens Healthineers intends to drive profitable growth in its core business further and has a roadmap to improve future profitability. Structural cost savings initiatives are targeting €240 million of cost savings per year with a first full impact visible in 2020, and the company aims to achieve continuous productivity improvements going forward.

The company's strategic focus on adjacent growth markets serves as a basis to generate incremental growth and improve its market leadership by 2025 and beyond.

Siemens Healthineers' Strategy 2025 is focused specifically on five future-oriented areas:

- (1) Utilizing its unique position in the in-vivo and in-vitro markets to combine data and knowledge around precision medicine and make it relevant for clinical use
- (2) Using data and artificial intelligence to integrate existing and innovative technologies for therapy
- (3) Coordinating and optimizing the patient journey through the healthcare continuum
- (4) Developing a full range of technical, operational and clinical service offerings that are more effective and more efficient by using technologies from Siemens Healthineers
- (5) Continuing to develop and invest in capabilities in artificial intelligence that support the above areas

Based on certain assumptions, Siemens Healthineers expects comparable revenue growth of between three and four percent for 2018, similar to the average growth rate of 3.8 percent over the last three years. The company expects an adjusted Profit margin of between 17 and 18 percent for 2018. In the medium term, Siemens Healthineers targets organic revenue growth of four to six percent and aims to

achieve adjusted Profit margins of 20 to 22 percent for the segments Imaging and Advanced Therapies and of 16 to 19 percent for the Diagnostics segment. Siemens Healthineers is planning a dividend payout ratio of 50 to 60 percent of the Siemens Healthineers group's net income.

"We expect our sustained and profitable revenue growth and continued strong cash flow to support our planned dividend policy," emphasized Bernd Montag.

Planned Listing

Siemens AG is preparing to list Siemens Healthineers on the Prime Standard segment of the Frankfurt Stock Exchange's Regulated Market, targeting a liquid market for the Siemens Healthineers share. The listing is planned for the first half of calendar year 2018.

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