Q2 FY2018 Analyst Call

Siemens Healthineers: Shaping the future of healthcare

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Notes and forward looking statements

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Q2 FY2018 – on track to meet our targets

• **Comparable revenue up by 4%** driven by strong **Imaging** business

• Flat topline development at Diagnostics, but **good instrument placements** point towards better development in H2 2018

• Continue **to receive excellent customer feedback on Atellica** with **250+ analysers shipped** by end of March

• **Structural cost savings on track** – first €50 mio. being realized in H2

• **Adjusted Profit**<sup>1</sup> **margin at 17.4%** up 90bps y-o-y on favourable business mix despite FX headwinds

• **Adjusted Net Income of €428mio**, up +26% y-o-y, supported by positive one time effects in financial income and income taxes

• **Low FCF of €174 mio.** on **IPO costs, investments in Atellica** and higher inventories

• Full year guidance reaffirmed

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1) Adjusted for severance charges and IPO costs
Major innovations across all segments

MAGNETOM Sola
First 1.5T BioMatrix system

ACUSON Juniper
New ultrasound platform

Cios Select with FD
Flat detector capabilities in routine surgery

PCR kit for HPV
High-risk subtypes detection
Fast Track cycler & FastFinder software

New SOMATOM Force
Dual source with FAST workflow

MAMMOMAT Revelation
High resolution with 50 degree tomosynthesis

nexaris Therapy Suites
Solutions for pioneering new procedures

Blood Urea Nitrogen & Total CO2 POC Testing

1) The Magnetom Sola is not commercially available in the U.S. and some other countries. Due to regulatory reasons its future availability cannot be guaranteed.
Atellica Solution\(^1\) shipments gaining speed

**Ramp-up of analyzer shipments (cumulative)**

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 YTD</td>
<td>90+</td>
<td></td>
</tr>
<tr>
<td>Q2 YTD</td>
<td>250+</td>
<td></td>
</tr>
<tr>
<td>Q3 YTD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4 YTD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td></td>
<td>7,000+</td>
</tr>
</tbody>
</table>

**Comments**

- **Targeting 7,000 analyzers by 2020**
  - 80% to come out of own installed base
  - 20% to come from new customer wins
  - **New customer wins currently well above 20%**
- **Large contracts won across the world, including**
  - Latin America (e.g., **Hermes Pardini** incl. 50+ Atellica analyzers)
  - EMEA\(^2\) (e.g., **Al Gosaibi** – 24 analyzers)
  - NAM (e.g., **Dynalife** – 6 analyzers)
- **On track with assay registrations and market introduction**
  - USA: **Five additional assays** approved (total of 150 assays); targeting **menu of 170+ assays** by Q4 FY18
  - Market introduction **on track in Japan** (H2 FY18) and **in China** (FY19)

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1) Product availability varies by country

2) EMEA: Europe, C.I.S., Africa and Middle East
Two attractive bolt-on acquisitions closed in FY2018

POC  Epocal

- Purchase price ~€80m (~3.8x sales)
- **Siemens Healthineers now only vendor** to offer a full solution in blood gas from benchtop to handheld
- **Very competitive low-cost cartridge** design, **no refrigeration required**
- Significant synergies: (i) leveraging our sales force with 150 critical care experts (ii) process improvements and higher automation lowering production costs
- **>10% growth in Q2 FY18**: FDA approval of BUN/TCO2 expected to accelerate further growth

MDX  Fast Track Diagnostics

- Purchase price ~€170m (4x sales)
- **One of the largest Molecular PCR test menu** in the industry for infectious disease with 80+ tests with **highly attractive cost position**
- First company launching CE marked Artificial Intelligence for Multisyndromic testing;
- Just launched **high risk HPV multiplex test**
- Significant synergies: (i) selling additional assays into existing installed base (ii) consolidation of operations
- **Strong Q2 growth with > 40%** driven by flu season
Strong performance despite FX headwinds

<table>
<thead>
<tr>
<th>Revenue (€m)</th>
<th>Adj. Profit margin(^1) (€m)</th>
<th>Adj. net income(^1) (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 FY2017</td>
<td>3,396</td>
<td>16.5%</td>
</tr>
<tr>
<td>Q2 FY2018</td>
<td>3,226</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

\(^1\) Adjusted for severance charges, IPO costs (Profit and Net income) and for amortization of intangible assets acquired in business combinations net of tax (Net income).

- Overall comparable growth driven by strong Imaging business
- Regionally strong comparable growth in China (+12%) and solid growth in U.S. (+4%) and EMEA (+3%)
- Adj. Profit margin up y-o-y by +90 bps despite FX headwinds
- Very good conversion of additional volume in Imaging combined with a favorable business mix
- Adj. net income up 26% on a one-off gain in financing interest (€27 mio) and a low tax rate benefitting from one-time gains related to completed tax audits

Note: Comparable growth defined as growth net of currency translation effects and portfolio effects.

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Strong Imaging business driving overall performance

**Imaging**
- **Comparable growth** +6%
- **Total revenue (€m)**
  - Q2 FY2017: 1,997
  - Q2 FY2018: 1,946
- **Y-o-y** +200 bps
- **Adj. Profit margin**
  - Q2 FY2017: 17.3%
  - Q2 FY2018: 19.3%

- Strong comparable growth driven by MR, CT and Ultrasound
- Regionally strong growth particularly in the U.S., China and Latin America
- Strong margins on good earnings conversion and favorable mix despite FX headwinds

**Diagnostics**
- **Comparable growth** +0%
- **Total revenue (€m)**
  - Q2 FY2017: 1,050
  - Q2 FY2018: 970
- **Y-o-y** -10 bps
- **Adj. Profit margin**
  - Q2 FY2017: 13.7%
  - Q2 FY2018: 13.6%

- Flat overall Q2 growth with growth in EMEA and Asia offset by weak Americas
- Margin supported by modest FX tailwind, but still affected by Atellica transition costs

**Advanced Therapies**
- **Comparable growth** +2%
- **Total revenue (€m)**
  - Q2 FY2017: 377
  - Q2 FY2018: 352
- **Y-o-y** -520 bps
- **Adj. Profit margin**
  - Q2 FY2017: 21.2%
  - Q2 FY2018: 16.0%

- Modest growth of 2% after a very strong growth Q1 FY18 results in good H1 growth of 5%
- Lower margin on very tough comps, considerable FX headwind, higher R&D and unfavorable mix

Note: Comparable growth defined as growth net of currency translation effects and portfolio effects.

1) Adjusted for severance charges
Capital structure post IPO as targeted

Summary balance sheet overview (as of March 31st 2018 in €m)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>196</td>
</tr>
<tr>
<td>Receivables from Siemens Group (financial cash)</td>
<td>1,687</td>
</tr>
<tr>
<td>Other current assets</td>
<td>5,007</td>
</tr>
<tr>
<td>Goodwill</td>
<td>7,911</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>1,545</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1,673</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>808</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>18,828</td>
</tr>
<tr>
<td>Short-term and long-term debt</td>
<td>72</td>
</tr>
<tr>
<td>Payables to Siemens Group (financial debt)</td>
<td>5,154</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>4,075</td>
</tr>
<tr>
<td>Provisions for pensions and similar obligations</td>
<td>1,037</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>11,029</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>7,799</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>18,828</td>
</tr>
</tbody>
</table>

Healthy capital structure post IPO (€bn)

<table>
<thead>
<tr>
<th>Category</th>
<th>Leverage (net debt / EBITDA)</th>
<th>Net debt (incl. pensions)</th>
<th>Pensions</th>
<th>Interest expense p.a. in €m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net financial debt</strong></td>
<td>2.8x</td>
<td>8.2</td>
<td>6.5</td>
<td>257</td>
</tr>
<tr>
<td><strong>Pensions</strong></td>
<td>1.5x</td>
<td>4.4</td>
<td>1.7</td>
<td>Est. ~100-120</td>
</tr>
<tr>
<td><strong>Interest expense p.a. in €m</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Based on €2.9bn EBITDA (unadjusted) in FY2017.
2) Net financial debt defined as: payables to Siemens Group + short- and long-term debt – receivables from Siemens Group – cash and cash equivalents
3) Assuming financial debt structure as of March 31st 2018 for the full fiscal year. Financial debt according to balance sheet stated above and illustrative interest rate of 3%.

• Conversion of intragroup liabilities
• Transfer of pension assets

• Currency: Debt mainly USD-denominated
FY2018 guidance reaffirmed

<table>
<thead>
<tr>
<th></th>
<th>FY2017 (IFRS 15)</th>
<th>FY2018E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (€m)</td>
<td>13,677</td>
<td></td>
</tr>
<tr>
<td>Comparable growth (%)</td>
<td>3.8%(^1)</td>
<td>3-4%</td>
</tr>
<tr>
<td>Adj. Profit (€m)</td>
<td>2,458</td>
<td></td>
</tr>
<tr>
<td>Adj. Profit margin (%)</td>
<td>18.0%</td>
<td>17-18%</td>
</tr>
<tr>
<td>Adj. net income (€m)</td>
<td>1,540</td>
<td></td>
</tr>
</tbody>
</table>

Comments on FY2018E

- Comparable revenue **growth on a q-o-q basis can fluctuate** significantly
- **Significant FX headwinds in FY2018E** expected resulting in slightly decreasing reported revenue

- **Adjusted for severance and external costs related to the IPO**
- **€50m of €240m cost savings** from **stand-alone setting** and **organizational efficiency program** to materialize in **FY2018E** (additional part in FY2019E and beyond)

- **Adjusted for severance, external costs** related to the **IPO and PPA**
- Estimated **net financial result** for 2018E of **€140-170m**; significantly lower interest expenses post implementation of **new capital structure**
- Effective tax rate: **28-30%**

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Note: Comparable growth defined as growth net of currency translation effects and portfolio effects. 
\(^1\) Refers to comparable revenue CAGR from FY2015 to FY2017 under old IFRS.
Appendix
Provisions decreased as targeted due to extraordinary fundings in Germany

Q2 FY2018 Key financials – Pensions and similar obligations

<table>
<thead>
<tr>
<th>in €bn(^1)</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>Q1 FY2018</th>
<th>Q2 FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligation (DBO)(^2)</td>
<td>(3.3)</td>
<td>(4.6)</td>
<td>(4.1)</td>
<td>(3.5)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Fair value of plan assets(^2)</td>
<td>2.0</td>
<td>2.4</td>
<td>2.4</td>
<td>1.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Provisions for pensions and similar obligations</td>
<td>(1.2)</td>
<td>(2.1)</td>
<td>(1.7)</td>
<td>(1.8)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Discount rate</td>
<td>3.7%</td>
<td>2.2%</td>
<td>2.8%</td>
<td>2.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Interest Income</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>0.1</td>
<td>0.3</td>
<td>0.1</td>
<td>0.1</td>
<td>-0.0</td>
</tr>
</tbody>
</table>

1) All figures are reported on a continuing basis.
2) Fair value of plan assets including effects from asset ceiling (Q2 FY2018: €-0.0bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q2 FY2018: €+0.0bn); Defined Benefit Obligation (DBO), including other post-employment benefit plans (OPEB) of ~€0.1bn
### Reported to adjusted net income reconciliation

<table>
<thead>
<tr>
<th>Position (€m)</th>
<th>Q2 FY2018</th>
<th>Q2 FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>308</td>
<td>305</td>
</tr>
<tr>
<td>therein: severance charges and IPO costs</td>
<td>-103</td>
<td>-14</td>
</tr>
<tr>
<td>therein: PPA amortization</td>
<td>-32</td>
<td>-37</td>
</tr>
<tr>
<td>therein: income tax effect(^1)</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td><strong>Adjusted net income(^2)</strong></td>
<td><strong>428</strong></td>
<td><strong>341</strong></td>
</tr>
</tbody>
</table>

\(^1\) Calculated with a tax rate of 29.4% according to average FY17 tax rate on severance charges and PPA amortization  
\(^2\) Adjusted for severance charges, IPO costs and for amortization of Intangible assets acquired in business combinations net of tax
### Reported to adjusted Profit reconciliation

<table>
<thead>
<tr>
<th>Position (€m)</th>
<th>Q2 FY2018</th>
<th>Q2 FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Healthineers</td>
<td>Imaging</td>
</tr>
<tr>
<td>Profit</td>
<td>457</td>
<td>371</td>
</tr>
<tr>
<td>therein: severance charges and IPO costs</td>
<td>-103</td>
<td>-5</td>
</tr>
<tr>
<td>Adjusted Profit(^1)</td>
<td>560</td>
<td>376</td>
</tr>
</tbody>
</table>

\(^1\) Adjusted for severance charges and IPO costs