Annual Report 2021

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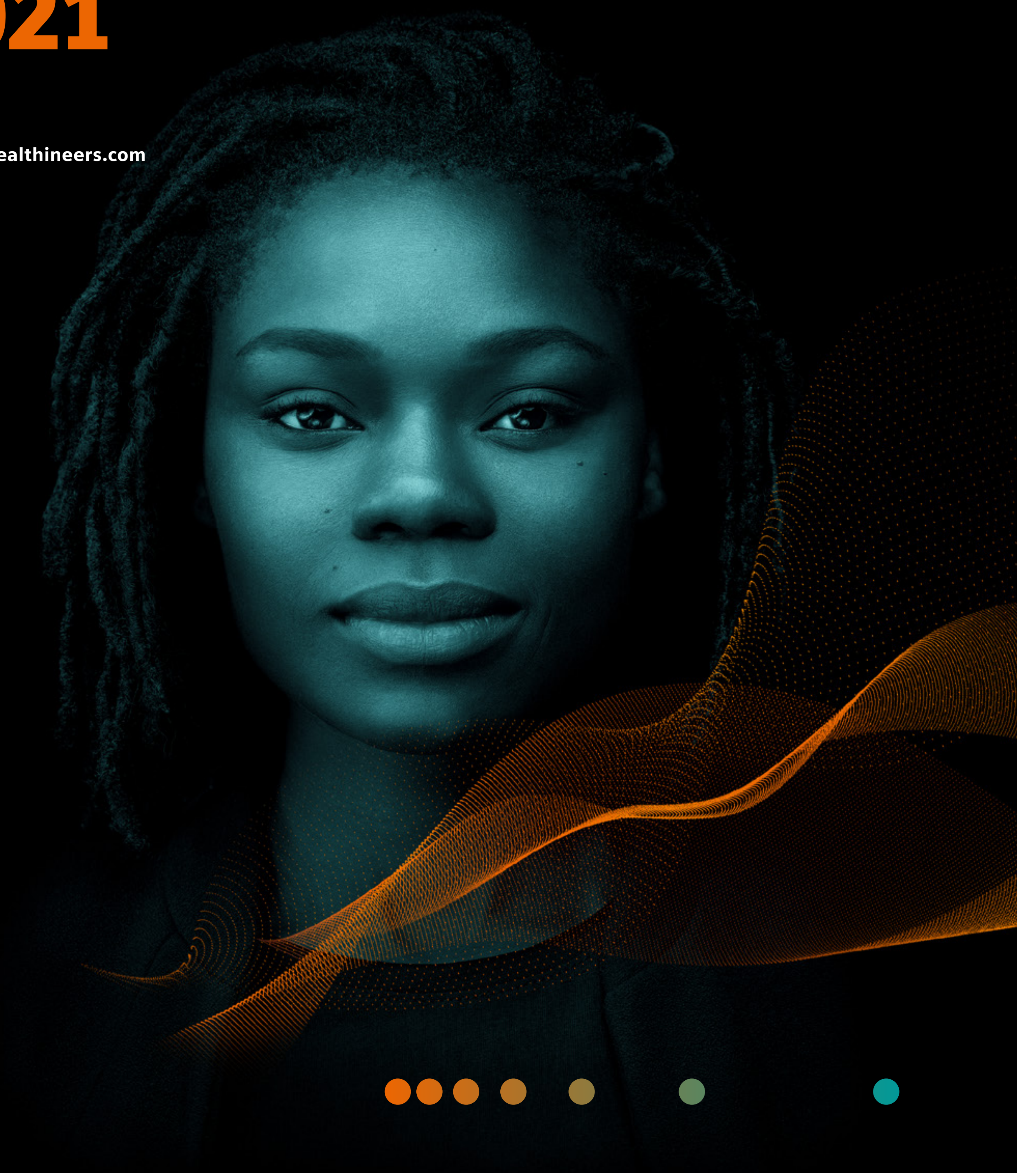

SIEMENS Healthineers

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Combined management report

A.1 Business principles

A.1.1 Business description

Organization

Siemens Healthineers is a global provider of healthcare solutions and services, with activities in numerous countries around the world. Siemens Healthineers Group (hereinafter "Siemens Healthineers", the "Company", "we" or the "Group") comprises the parent company Siemens Healthineers AG, a stock corporation under the laws of the Federal Republic of Germany, and its subsidiaries. Siemens Healthineers AG is incorporated in the commercial register in Munich, Germany. The Company's business operations are conducted by the direct and indirect subsidiaries of Siemens Healthineers AG. As of September 30, 2021, the Siemens Group owned just over 75 % of Siemens Healthineers AG (previous year: around 79 %). This was due to a second capital increase that was carried out in the first half of fiscal year 2021 without the participation of Siemens AG. The purpose of the capital increase was to partially finance the acquisition of Varian Medical Systems, Inc (hereinafter "Varian"), which was completed on April 15, 2021. Siemens Healthineers had about 66,000 employees as of September 30, 2021 (September 30, 2020: about 54,300). The increase was primarily due to the acquisition of Varian.

Siemens Healthineers has a strong presence and scale in an attractively growing market and is directly represented in more than 70 countries worldwide. Our main production sites are in the United States, China and Germany. With holistic system competence, we develop, manufacture and sell a diverse range of innovative diagnostic and therapeutic products and services to healthcare providers in more than 180 countries. We also provide clinical consulting services, complemented by an extensive range of training and service offerings. This comprehensive portfolio supports customers all along the care continuum, from prevention and early detection to diagnosis, treatment and follow-up care.

Delivering high-quality, affordable healthcare requires scalable solutions to meet the needs of a broad spectrum of healthcare providers and related organizations. Siemens Healthineers is strongly positioned along this spectrum. It ranges from public and private healthcare providers, including hospitals and hospital systems, public and private clinics and laboratories, universities, physicians/joint medical practices, public health agencies, state-run and private health insurers, through to pharmaceutical companies and clinical research institutes. We offer different solutions tailored to the customers' needs in all market segments.

Since the acquisition of Varian on April 15, 2021, our business operations are divided into four segments: Imaging, Diagnostics, Varian and Advanced Therapies. In all these segments, we are a leading global provider.

Our Imaging segment provides imaging products, services and solutions. Our most important products within this segment are equipment, including magnetic resonance imaging, computed tomography, X-ray systems, molecular imaging and ultrasound. All our imaging and therapy systems are supported by shared software platforms. We offer a broad and scalable range of software solutions to support multi-modality reading and structured reporting of diagnostic images. We generate a significant amount of recurring revenues from our customer services business (services and spare parts) due to our strong installed base and long-term service relationships. These provide a stable foundation for profits.

The portfolio of our Diagnostics segment comprises in-vitro diagnostic products and services that we offer to healthcare providers in laboratory, molecular and point-of-care diagnostics. Spanning a breadth of test settings, from centralized reference and hospital laboratories to clinical and physician office laboratories, our comprehensive portfolio covers a range of testing disciplines, including immunochemistry, hematology, coagulation, urinalysis, blood gas and molecular diagnostic testing. Siemens Healthineers provides laboratories and points of care with a range of PCR, antigen and antibody tests specifically designed to identify the SARS-CoV-2 respiratory pathogen. Diagnostics' product range also includes workflow solutions in laboratories and informatics products that are integrated in our offerings and improve provider efficiency and productivity. The bulk of Diagnostics' business model is based on long-term contracts that include an initial instrument placement followed by ongoing reagent sales, which results in a predictable and resilient revenue stream.

The Varian business segment provides innovative, multi-modality cancer care technologies as well as solutions and services to oncology departments in hospitals and clinics globally. Its portfolio is designed to enable clinicians to perform new, innovative radiotherapy and other oncology treatments. Varian's Radiation Oncology business serves the end-to-end needs of customers with integrated equipment and digital solutions, and applications that are designed to enable increased access to quality care as well as improved treatment planning and delivery. High-quality imaging and digital solutions and applications enable image-guided, more precise cancer treatments. The Proton Solutions business utilizes conventional radiotherapy expertise to develop integrated solutions for proton therapy, the goal being to increase clinical utility and improve patient outcomes through increased radiation precision. Other offerings include technology-enabled optimized workflows, clinical services and consulting capabilities, and innovative digital solutions and applications for managing treatment and therapy. With a large installed base, Varian generates recurring revenue from services and spare parts. At the same time, Varian is expanding its range of consumables for interventional solutions.

Our Advanced Therapies segment's portfolio consists of highly integrated products, solutions and services across multiple clinical fields, which we provide to the therapy departments of healthcare providers. Our Advanced Therapies products are designed to support image-guided minimally invasive treatments, in areas such as cardiology, interventional radiology and surgery. Our most important products in this segment are angiography systems and mobile C-arms, including a robotic-assisted platform for endovascular coronary and peripheral vascular interventions. Our integrated business model provides a solid foundation for our business activities in this field, with recurring revenues generated through our strong installed base and our customer service business (services and spare parts).

Within these four segments we provide comprehensive services all along the customer value chain, among them planning and design, maintenance, operational management, training and education services. Our service offerings include equipment performance management, clinical education and e-learning, asset management, managed departmental services for laboratories and healthcare facilities, consulting and digital health products and services.

Siemens Healthineers Strategy 2025

Against the backdrop of the healthcare trends described in → ***A.1.2 Business environment***. Siemens Healthineers has defined strategic priorities to ensure our competitiveness and market leadership beyond 2025. Phase one, called Reinforcing, of the Siemens Healthineers Strategy 2025, was concluded at the end of fiscal year 2019. This phase focused on introducing new products and platforms to the market, and on a cost-cutting program with measures to enhance productivity.

The start of fiscal year 2020 saw the beginning of the second strategic phase, called Upgrading, the aim of which was to take our business to the next level by accelerating growth and expanding into adjacent growth markets. The initially planned aim is for these targets to be met by the end of fiscal year 2022. Thanks to the acquisitions of ECG Management Consultants and Corindus Vascular Robotics, a company for robotic-assisted vascular treatment methods, and the transformational merger of Siemens Healthineers with Varian, we were able to expand into adjacent markets. At the same time, we managed to expand and grow our core business. This meant that we reached the key goals defined for the Upgrading phase one year earlier than planned and were able to launch phase three of the Strategy 2025, called New Ambition, at the start of fiscal year 2022. During the New Ambition phase Siemens Healthineers aims for fiscal years 2023 to 2025 at comparable revenue growth of 6% to 8% p. a. (per annum) and growth of adjusted basic earnings per share of 12% to 15% p. a.

The goal of this New Ambition phase is to help fight complex diseases worldwide, while entering new growth markets and remaining successful in our core markets. Our businesses and regions have developed strategies to help us attain our New Ambition. These strategies complement and support our pursuit of five priorities, so-called growth vectors (see below), which will be the focus of our attention in the New Ambition phase.

In the Comprehensive Cancer Care vector, we want to expand our leading position in oncology by addressing an even broader market along the entire disease pathway. To this end, we intend to enhance and strongly integrate our radiotherapy and imaging products, build a strong portfolio in interventional oncology, expand our multidisciplinary software solutions and technology-enabled services, and expand our cancer decision support for better therapy guidance. We will also look into how new technologies could complement our current portfolio in the future.

In the Cardiovascular and Neurovascular Care vector, we want to use our strengths in imaging and endovascular robotics to further enhance our relevance in the field of cardiovascular and neurovascular treatments. To achieve this goal, we intend to bolster our core business in diagnostic and interventional imaging and further extend the field of application of these technologies to include the treatment of cardiovascular and neurovascular disease. We will also develop digital offerings and expand the installed base and areas of application of our robotics solutions.

The Networked Care & Digitally-enabled Services vector addresses the biggest challenges currently facing our customers, such as staff shortages, rising labor costs, increasing demand, and rapid technological and scientific progress. Our ambition is to put healthcare providers in a position to provide more patients with better care by improving and automating manual workflows that have previously drained resources and given rise to inefficiencies. Our planned offering of digitally-enabled services aims to make healthcare more efficient, while broadening access to care. We intend to leverage this potential by offering a tailored, modular range of consulting services for new customers in both developing and developed countries, providing specific software and service solutions for workflows in the various customer segments and specialist fields, and developing software and service solutions geared to specific clinical treatment pathways.

The China Healthcare growth vector will concentrate on what is set to be the biggest global market in medical technology by the year 2030. As part of the five-year plan, China aims to adapt its own healthcare and medical technology sector to new developments. Our ambition is to strengthen our role as a trusted partner of the Chinese healthcare system and its patients by addressing the most urgent social needs in terms of healthcare.

Measures will include new local business models, as well as solutions tailored to meet local needs and requirements. We will also expand the local diagnostics portfolio in the area of immunoassays and in clinical chemistry to become a leading market player in the burgeoning diagnostics segment. Digital healthcare and technology-enabled services are a key differentiator and stated priority of the Chinese healthcare system.

In the Access to Care vector, we will be focusing on the approx. three billion people worldwide who still do not have access to adequate healthcare today. The main obstacles here are a lack of infrastructure, financial affordability of treatment, and a lack of health awareness. As non-communicable diseases are set to become more prevalent in the coming years, affordable medical technology will need to cover a broader base than before. We will double down on our efforts to provide good access to global healthcare in the future, establish local networks actively, and develop on-site solutions. We will initially target selected countries with dedicated resources. These local teams will identify country-specific success factors and pursue relevant business opportunities. To ensure scaling is a success, we will construct a global network for the ongoing exchange of information. This network will consolidate country-specific findings at a global level, leverage synergies, and develop appropriate local business solutions that will be scaled at global level.

Research and development

Our research and development activities (hereinafter "R&D") are aimed at providing our customers with innovative and sustainable solutions while safeguarding and improving our competitiveness. We therefore focus our R&D activities on selected technologies and innovations. In particular, we have further expanded our R&D activities in the area of digitalization and artificial intelligence (hereinafter "AI"). This development is reflected in the expansion of our product and solution portfolio in this area: We now have 67 AI-based products and applications on the market, as well as 15 in the innovation pipeline at various stages of productization, which are designed to further increase our customers' productivity and enable more precise and patient-specific clinical decisions.

In addition to launching new products, such as in our modalities business, that rely strongly on the application of new AI technologies, Siemens Healthineers is also strengthening its offerings in the area of digital AI-based products and solutions. The major additions are extensions of our AI-Rad Companion, our AI-Pathway Companion and Syngo Carbon products and solutions. For fiscal year 2022, for example, we plan AI-Rad Companion extensions for Mammography. In addition, we brought to market an AI-Pathway Companion application for lung cancer. Our AI applications are supported by our teamplay digital health platform. This platform connects data, systems, applications, people, and entire institutions, securely and from different sources, and was awarded the European Privacy Seal for data protection. Today, already more than 6,500 institutions across the world are using teamplay. It connects more than 32,000 systems and gives respective healthcare institutions access to millions of patient records.

Alongside AI, sensing technology is another core technology and innovation field. Here we have developed a new innovative technology in computed tomography: the photon-counting computed tomography scanner. It comes with a novel system concept and a new direct-converting detector. It adds new clinical information to every image and improves image sharpness and contrast.

In the field of Magnetic Resonance Imaging (hereinafter "MRI"), we launched the MAGNETOM Free. platform which is designed to improve global access to care, simplify infrastructure requirements, to automate scan operation with myExam Companion, and all of that with the first 80 cm patient bore. MAGNETOM Free.Max also comes with AI-powered reconstruction engines enabling MRI acquisition and processing with sharper image quality. For MRI and other imaging systems, Syngo Virtual Cockpit, our software solution for remote operation of equipment, enables our customers to optimize the utilization of their scanner fleet and achieve a higher quality standard.

In our Diagnostics portfolio we continue to leverage AI-based technology. The Atellica COVID-19 Severity Algorithm, for example, uses AI to help predict the likelihood of progression to severe disease and life-threatening multiorgan dysfunction among hospitalized patients diagnosed with the SARS-CoV-2 virus. Additionally, using AI, the Atellica Solution can help improve workflow by enabling the evaluation of up to 7,500 features of a sample or a sample carrier. Also, thousands of remotely connected Atellica Solution instruments can transmit real-time, AI-powered data for continuous product and individual customer network improvements.

In the Point of Care (hereinafter "POC") field we launched the CLINITEST® Rapid COVID-19 Antigen Test in fiscal year 2021 and will continue to leverage new opportunities for rapid testing at the point of care in the new fiscal. POC will also expand into new markets with the Atellica® VTLi Patient-side Immunoassay Analyzer to reduce emergency department overcrowding with the first highly sensitive test for cardiac troponin (hs-cTnI assay) that provided accurate lab-comparable results in 8 minutes at the patient's side. Additionally in fiscal year 2022, POC plans to further strengthen its leadership in chronic disease management with new offerings in diabetes monitoring.

Siemens Healthineers extended its portfolio in the field of cancer care in fiscal year 2021 with the completion of the Varian acquisition. The combined company pursues an intelligent cancer care strategy, harnessing advanced technologies such as AI and data analytics to improve cancer treatment and expand global access to cancer care.

In the field of interventional Oncology a new cryoablation console, CryoCare Touch, was launched in early fiscal year 2021. This launch sets the stage for continued innovation with improvements in cryo probes compatible with this platform in the coming years. Additionally Embozene microspheres, an integral part of the Varian Interventional Solutions portfolio, received US Food and Drug Administration's (hereinafter: "FDA") "breakthrough device" designation for genicular artery embolization for symptomatic knee osteoarthritis. We received this award for the potential to offer a more effective treatment for appropriate patients with osteoarthritis of the knee. It provides clinicians with a new, non-invasive treatment option, which may not only ameliorate pain, but reduce the economic burden of this common disease.

In the field of cardio-vascular applications Varian's cardiac radioablation (hereinafter "CRA") system has recently been designated a "breakthrough device" by the FDA because of its potential to offer a more effective treatment for selected patients with refractory ventricular tachycardia. Unlike conventional catheter ablation it may lead to better outcomes for patients. As a non-invasive therapy, CRA procedures may prove safer and require less time than current surgical modalities.

For future treatment of cancer, Varian recently received an investigational device exemption from FDA and launched the first FLASH therapy clinical trial. FLASH therapy refers to the delivery of a high dose of radiation at very short treatment times. Hence an entire 6-week-dose of a radiation could be delivered in potentially less than 1 second. Radiation delivered at such a high dose rates may substantially reduce treatment side effects, which may allow physicans to increase the therapeutic window for patients.

The development of new, pioneering technologies such as CRA and FLASH therapies may experience challenges and uncertainties inherent in innovation and development of new and improved therapy products and technologies. These risks include uncertainty of clinical outcomes, additional analysis of existing clinical data, obtaining regulatory approvals, gaining health plan coverage, and initial and continued commercial success.

In the field of Advanced Therapies we are continuously developing enhancements for our interventional imaging platform ARTIS icono and plan to release new workflow and integration improvements with the next software version.

The endovascular robotics system CorPath GRX from Corindus will be further developed to expand the scope into the field of neurovascular procedures with focus on aneurysm treatment.

In addition to expanding our portfolio, our R&D teams strive for continuous improvement of existing products and solutions. Our R&D workforce already exceeds 10,000 employees (including Varian) and operates at a number of R&D sites around the world, mainly in Germany, the U.S., China and India. The distribution of our R&D workforce across an international network of sites enables us to meet the needs of local markets and gives us access to local job markets, allowing us to hire the best employee for the respective job. We supplement our internal capabilities through our relationships with strategic partners.

In fiscal year 2021, we reported R&D expenses of €1,546 million (2020: €1,342 million). The resulting R&D intensity, defined as the ratio of R&D expenses to revenue, was 9% (2020: 9%). Additions to capitalized development expenses amounted to €179 million (2020: €245 million). Therefore, the ratio of capitalized development expenses to total R&D expenses was 12% (2020: 18%). Amortization of capitalized development expenses totaled €126 million (2020: €99 million).

As of September 30, 2021, we had about 23,000 technical intellectual property rights. This figure includes more than 14,000 granted patents, above the level of fiscal year 2020.

A.1.2 Business environment

We operate in a growth market characterized by long-term stability, which is supported by the major trends described below. Within the market's long-term development, it may also experience shorter-term fluctuations arising from macroeconomic and political developments, such as changes in health policy, regulation, and reimbursement systems. Because a substantial portion of Siemens Healthineers' revenue stems from recurring business, we pursue our growth opportunities with a stable foundation for profits.

Healthcare market trends and developments in health policy

Healthcare markets worldwide are affected by four sustained major trends, which are unlikely to be affected by the COVID-19 pandemic.

The first trend are demographic developments, especially the world's growing and aging population. This trend poses major challenges for global healthcare systems, both in developed and in emerging and developing economies. At the same time, however, it offers opportunities for players in the healthcare industry because demand for cost-efficient healthcare solutions continues to intensify. The second trend is economic development in emerging countries, which is improving access to healthcare for many people. Significant investments will persist, driving overall demand for healthcare products and services and hence market growth. The third trend is the increase in chronic diseases as a consequence of an aging population, and of environmental and lifestyle-related changes. This trend results in far more patients with multiple morbidities, putting further pressure on healthcare systems and leading to higher costs; it also increases the need for new, more timely ways to detect and treat disease. The fourth global trend with a significant impact on our business development is the transformation of healthcare providers, which stems from a combination of societal and market forces driving healthcare providers to operate and organize their businesses differently. Increasing cost pressure on the healthcare sector is prompting the introduction of new remuneration models for healthcare services, such as value-based, rather than fee-for-service, reimbursement. Digitalization and AI are likely to become key enablers for healthcare providers as the latter increasingly focus on enhancing the overall patient experience, with better outcomes and a general reduction in the cost of care. This trend is driven partly by society's increasing resistance to healthcare costs, the growing professionalization of paying entities, burdens from chronic disease, rapid scientific progress and staff shortages. In response to these factors, healthcare providers are consolidating into networked structures, resulting in larger, often international, clinic and laboratory chains that increasingly act like large corporations. Applying this industrial logic to the healthcare market can lead to systematic improvements in quality, while at the same time reducing costs.

Driven by the need of healthcare systems worldwide to deliver better outcomes at lower costs, regulators around the world are increasingly seeking to introduce new remuneration models for healthcare services, leading to a shift in healthcare reimbursement systems away from a pay-per-procedure towards an outcome-based model. Most developed countries are currently considering or undergoing regulatory changes within their healthcare systems.

The COVID-19 pandemic, too, impacted regulatory environments and practices, presenting governments and healthcare providers with unprecedented challenges. Regulatory authorities have utilized targeted methods to get diagnostic products to market faster. Governments have also been quick to establish reimbursement systems for testing. This includes changes in existing reimbursement structures as well as accelerated regulatory and emergency approval pathways. This had a positive influence on the availability of diagnostic tests and access to reimbursement, for example, for digital solutions such as telehealth in countries including China, the U.S. and Germany. This has underscored and increased the importance and value of such technologies during the pandemic. However, these changes in health policy and reimbursement may be only temporary and could potentially be reversed or modified in the mid-term.

In the coming years, two of our most important markets, the U.S. and China, will face additional uncertainty when it comes to health policy and financing. With the new U.S. administration heavily focused on the COVID-19 crisis, the regulatory environment for healthcare has remained largely unchanged. At the moment, topics such as the expansion of Medicare health services and other associated questions are addressed in bills before Congress, and these could have an impact on our market in the U.S. The impact of COVID-19 on government and private-sector finances has increased pressure on both device utilization and reimbursement systems. In spring 2021, China published its 14th Five-Year Plan, in which innovation, industrial modernization, digitalization and a "healthy China" will play a key role for the healthcare industry in the period 2021–2025. China is expected to continue establishing and modernizing primary care and expanding the number of high-quality medical centers in order to level up the uneven provision of health services, both in geographical and social terms. China will continue its "dual-circulation" economic model, with the aim of reducing external uncertainties and expanding domestic consumption. On the one hand, China wants to continue opening its markets in order to spur growth and make progress with globalization and integrative development. On the other, the government's support for the modernization of local manufacturing and a policy of local preferment will increase competition between multinationals and local providers. Reform of the healthcare system will be further stepped up in order to improve quality and efficiency. Centralized procurement will be expanded, while reform of the reimbursement system – for example, flat-rate-per-case billing (known as Diagnosis-Related Groups or DRG) and a new health insurance reimbursement method (known as the Diagnosis Intervention Packet or DIP) – will be extended in further regions. The rapid approval process of the National Medical Products Administration (NMPA) creates more opportunities for foreign products.

Political developments

The business environment is influenced not only by the regulatory framework, which healthcare companies and providers must comply with in order to sell their products and deliver health services. Non-tariff barriers to trade – such as forced localization, licensing requirements and, in particular, protectionism – have been topics of increased importance in recent years. Trade barriers are becoming more widespread, affecting all our segments' markets and creating additional financial burdens on vendors. The trade dispute between the United States and China resulted in cost increases as new tariffs came into effect in both countries in 2019, impacting the flow of products between these countries. Ongoing differences between the two countries will continue to pose challenges for trade.

Segment markets

There are two fundamental trends in the Imaging market: the shift towards precision medicine and increased utilization of imaging devices in screening, therapy and intervention. Both are driving the demand for a broader application of imaging procedures and digitalization, and therefore increasing demand for imaging technology. Furthermore, developments in AI, big data and deep machine learning continue to frame the future of population health management. Highly intelligent imaging systems will remain critical to care management and delivery. A moderate level of consolidation is one of the key characteristics of the global Imaging market, in which Siemens Healthineers, GE Healthcare and Philips Healthcare are the top three players.

Diagnostics is a market with attractive growth driven by constantly rising demand for diagnostic tests. To offset increasing test demand and rising healthcare costs, providers continue to consolidate their operations to cut laboratory costs, while also industrializing their testing processes in order to improve efficiency through automation and digitalization. Increased digitalization will further enhance laboratory productivity and enable better integration of diagnostic test results into clinical decision-making. Immunochemistry continues to be the largest and one of the fastest growing segments of the Diagnostics market. Whether in acute or non-acute situations, point-of-care tests offer advantages that have gained in significance through the COVID-19 pandemic. Diagnostics is a fragmented market, with a variety of global, regional and specialized providers competing with each other across market segments Siemens Healthineers is a major player in this market, along with Roche and Abbott Diagnostics.

The Varian market segment is characterized by diverse trends. Long-term global demand for radiation oncology based on an increase in cancer diagnosis, demand for multi-modal precision care pathways in cancer therapy and the need for value-based care. The overall demand for radiation therapy will be driven by a projected increase in new cancer incidences from about 19 million (in 2020) to 30 million annually by 2040. Faster growth of new incidences in low- and middle-income countries, which lack adequate infrastructure and human capital to address this growing cancer burden, is accelerating demand for radiation therapy as a cost-effective, high-quality cancer care modality. Technological advancements with optimized and automated clinical tools to improve accuracy in radiotherapy and radiosurgery continue to drive global demand for new devices with digital solutions and applications to treat a broader range of cases, reduce treatment time, and increase patient throughput. The shortage of trained clinical personnel in emerging markets, combined with a focus on operational efficiencies and cost reduction in developed markets, are driving demand for more automated products and services that can be integrated into clinical workflows to make treatments more rapid and cost-effective. The radiotherapy and radiosurgery markets are highly consolidated and served mainly by Siemens Healthineers, Elekta AB and Accuray Inc.

Upgrades and innovations in clinical procedures are among the major factors determining growth in the Advanced Therapies market. Minimally invasive procedures as well as the growing complexity of procedures that require sophisticated technological devices and advanced imaging are key market drivers. In particular, technological innovations in imaging, robotics, medical devices and IT mean that minimally invasive procedures are leading to lower risks of complications, faster recovery times, less post-operative pain, shorter hospital stays and lower costs. The global Advanced Therapies market can be described as consolidated, with three top players: Siemens Healthineers, Philips Healthcare and GE Healthcare.

A.2 Financial performance system

Key performance indicators

Comparable revenue growth

Comparable revenue growth is our key performance indicator (hereinafter "KPI") for managing and monitoring the adjusted revenue growth of our segments and of Siemens Healthineers. It shows the development of adjusted revenue, net of currency translation effects, which are beyond our control, and portfolio effects, which involve business activities that are either new to our business or no longer a part of it. When a new reporting segment is created following an acquisition, we manage it on the basis of total adjusted revenue up to the point at which it is possible for the first time to calculate the segment's comparable revenue growth for the full fiscal year.

For Siemens Healthineers, revenue is defined as consolidated revenue reported in the company's consolidated statements of income. Adjusted revenue, which is key to calculating comparable revenue growth, is adjusted for effects in line with the revaluation of contract liabilities from IFRS 3 purchase price allocations.

At the segment level, revenue is defined as total revenue and corresponds to the sum of external and intersegment revenue. Total adjusted revenue of the segments, which is key to calculating comparable revenue growth, is additionally adjusted for effects in line with the revaluation of contract liabilities from IFRS 3 purchase price allocations.

Adjusted EBIT margin

We use adjusted EBIT (earnings before interest and taxes) margin as the KPI for managing the operating performance of our segments. Adjusted EBIT is defined as income before income taxes, interest income and expenses, and other financial income, net, adjusted for non-operating items.

As of fiscal year 2021, EBIT is adjusted for the following items:

- expenses for mergers, acquisitions, disposals and other portfolio-related measures, in particular
  - > amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments
  - > transaction, integration, retention and carve-out costs
  - > gains and losses from divestments
- severance charges, and
- centrally carried pension service and administration expenses.

The adjustments (including revenue) relate to income and expenses that do not reflect operating performance and therefore adversely affect the comparability of financial results between periods.

Adjusted EBIT margin is defined as the adjusted EBIT of the particular segment divided by its adjusted total revenue.

Adjusted basic earnings per share

At the company level, performance is measured using adjusted basic earnings per share (EPS).

As of fiscal year 2021, the following adjustments are made in line with the definition of adjusted EBIT margin:

- expenses for mergers, acquisitions, disposals and other portfolio-related measures, in particular
  - > amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments
  - > transaction, integration, retention and carve-out costs
  - > gains and losses from divestments, and
- severance charges.

The analogous adjustment of basic EPS and EBIT ensures consistency between the KPIs "adjusted EBIT margin" and "adjusted basic EPS". The adjustments are made after tax. Accordingly, this includes the adjustment of material valuation effects on deferred taxes, which arise from changes in tax law and are associated with the above adjustment items.

Tax effects on the adjustments are determined based on the income tax rate for the reporting period. Determination of adjusted basic EPS is based on the average weighted number of outstanding shares in the reporting period.

Dividend

We aim to provide an attractive return to our shareholders. Therefore, we intend to pay an annual dividend in the amount of 50% to 60% of the net income of the respective prior fiscal year. To this end, net income – the calculation basis for the dividend – may be adjusted for selected exceptional non-cash items.

A.3 Business development

A.3.1 Market development

In general, our addressable global markets recorded sharp growth figures in fiscal year 2021. The addressable global Imaging equipment market grew to around €20 billion in fiscal year 2021. The addressable equipment market for the Advanced Therapies segment (based on angiography systems, mobile C-arms, and robotic-assisted platforms) was around €3 billion. The global Diagnostics equipment market including reagents posted a rise of some €42 billion (including molecular diagnostics but excluding POC rapid antigen tests). The addressable global market for radiotherapy (based on linear accelerators, proton therapy machines, interventional oncology solutions, software, and product-related services) of our new Varian segment amounted to around €11 billion in fiscal year 2021.

Supported by growth of our installed base in the previous year (not including Varian), the product-related service business saw strong growth in this fiscal year.

Nearly two years after the first case of COVID-19 was identified, the virus continues to impact health systems and economies worldwide. Nevertheless, large parts of the global economy were already experiencing upturns in fiscal year 2021, largely thanks to the strength of the major economies U.S. and China. Compared to our assumptions in the 2020 annual report and the average growth levels from pre-pandemic years, it emerged that our markets in the Imaging and Advanced Therapies segments had, in fact, recovered, with the Diagnostics market recording sharp growth. Competition among the leading healthcare companies remained at elevated high levels.

While the long-term market trends → ***A.1.2 Business environment*** generally remained intact, the COVID-19 pandemic did reinforce some of these trends and, for example, raised the already increasing cost pressure on health systems and customers to unprecedented levels. Especially in countries with severe COVID-19 outbreaks such as the U.S., India, and Brazil, a significant impact on healthcare economics was apparent in the form of additional cost increases combined with simultaneous, revenue losses for hospitals. Staff shortages became more acute, leading to significant care disruptions at many hospitals and overburdening healthcare systems. The pandemic served to drive efforts toward innovation and digital transformation in healthcare.

Our prediction in the 2020 Annual Report, namely that the market for the product businesses of the Imaging segment would recover, proved accurate. The sharp market growth was mainly due to large COVID-driven demand for computer tomography systems and the beginning of normalization in all other modalities. Among the major modalities, there was a sharp market growth in magnetic resonance systems.

For the Diagnostics segment, the markets for point-of-care tests and for lab tests increased. On the one hand, the backlog of purchasing decisions and capital expenditure by laboratories and hospitals from the previous year dissipated while, on the other, demand for certain diagnostic reagents, particularly tests for routine care, increased. The markets for combating the COVID-19 pandemic posted sharp growth. Depending on the diagnostic objective, a range of COVID-19 PCR, antigen, and antibody tests is available for both the laboratory and the point-of-care environment. The extraordinary growth of the molecular diagnostics field, in which a PCR test is used to identify the SARS-CoV-2 virus at an early stage, continued unabated. The laboratory diagnostics market, which plays a role in analyzing antibody and antigen statuses, also expanded. The POC market saw a sudden increase, especially in the field of rapid antigen tests for home use.

In the Varian segment, growth in all modalities was driven primarily by new and replacement business. In markets such as the U.S. and Western Europe, product innovations led to higher customer investment. Other markets were driven by a need to expand access to oncology equipment and services to underserved population groups and regions.

The recovery in the Advanced Therapies markets was made possible through a combination of a resumption in elective surgical procedures and the gradual return of patients. The postponement of tenders to fiscal year 2021 and the execution of postponed projects also contributed to this development.

Globally, China is one of the biggest medtech markets and a major incremental growth driver. In the course of the last fiscal year, China's healthcare market recovered almost fully from effects related to the coronavirus pandemic. Even if the Imaging segment recorded somewhat slower growth than in the previous year, the market as a whole grew very strongly. This was mainly due to the sharp recovery of the market for magnetic resonance systems and sharp growth in the computed tomography market. While the past fiscal year again saw public COVID-related investment in so-called fever clinics with a focus on computed tomography, capital was also invested in primary care in some Chinese provinces as part of a public funding initiative. Elective surgical procedures resumed to some degree, following postponements and cancelations during the prior fiscal year; as a result, the Advanced Therapies market is now firmly on the road to recovery. Diagnostic tests were widely applied to identify SARS-CoV-2 both in labs via PCR and antigen testing. Tests to determine the body's immune response were also used in China. Demand for tests for routine care rose once again. Demand for POC laboratory diagnostic products for use in outpatient care settings still remained weak in China. Ultimately, the overall market for Diagnostics equipment rose at a sharp rate.

In Japan, the second largest market of the Asia, Australia region, approval of the supplementary COVID-19 budget produced significant to sharp growth in virtually all the markets for the Imaging segment. Improved system utilization and the resumption of elective surgical procedures led to a significant market increase for Advanced Therapies. While COVID-19 had but a limited impact on the POC market, the Diagnostics market overall posted strong growth.

In the region EMEA, public investment programs as well as a rise in COVID-19-related demand helped drive a market rise in several countries. The private market also began to recover. Overall, this led to strong to very strong market growth for Imaging and Advanced Therapies in fiscal year 2021. Sharp market growth for Diagnostics in EMEA was driven by test programs for SARS-CoV-2 introduced by several EMEA governments. High vaccination rates increasingly led to a return of point-of-care testing in outpatient care settings.

In the U.S., business began to return to normal as progress was made in the vaccination campaign. Markets for Imaging and Advanced Therapies bounced back strongly in all modalities as pent-up demand began to be processed by the customers. The number of patients in the U.S. requiring inpatient treatment for a COVID-19-related illness increased nearly fourfold compared with a year ago, and this circumstance was reflected in the sales markets of the modalities driven by the pandemic. In Diagnostics segment, the rise in COVID-19 cases significantly boosted U.S. market growth as it fueled demand for antigen tests, molecular PCR tests, as well as for antibody tests (point-of-care tests and lab tests). In the POC market, demand for products for use in outpatient care settings recovered as vaccination rates increased, restrictions were eased, and inventories restocked. The U.S. market for Advanced Therapies has begun to change. On the one hand, it has been possible to augment equipment utilization levels while, on the other, elective inpatient surgical procedures have been shifted to outpatient settings because reimbursement rates increased.

The market development expectations are based on Siemens Healthineers' market model that builds on external sources (among others from IQVIA Ltd., OMDIA, KLAS, IMV, The Lancet Oncology, and Signify Research), market information from MedTech industry associations (among others COCIR, NEMA, JIRA and MedTech Europe) and Siemens Healthineers' management estimates. In the case of Varian, the forecasts include data from regulatory authorities (among others from ASTRO, ESTRO, the Global Task Force on Radiotherapy for Cancer Control (GTFRCC), which is part of the Union for International Cancer Control (UICC) and the International Atomic Energy Agency (IAEA). All statements on market developments refer to the first three quarters of fiscal year 2021 because market data for the full fiscal year were not available as of the publication of the annual report. Given the unpredictability of further COVID-19 pandemic developments and related volatilities on healthcare markets, customary and historic market development patterns are only partially suitable for forecasting purposes this year.

A.3.2 Results of operations

A.3.2.1 Revenue by segment and region

	Fiscal Year		%-Change	
(in millions of €)[1]	**2021**	**2020**	**Act.**	**Comp.[2]**
Siemens Healthineers	**17,997**	14,460	**24 %**	**19 %**
Therein:				
Imaging	9,821	9,090	8 %	11 %
Diagnostics	5,418	3,924	38 %	42 %
Varian	1,300	–	–	–
Advanced Therapies	1,716	1,628	5 %	9 %

[1] Siemens Healthineers: revenue according to IFRS, segments: total adjusted revenue.
[2] Year-over-year on a comparable basis, excluding currency translation and portfolio effects as well as effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations.

Revenue by region (location of customer)

	Fiscal Year		%-Change	
(in millions of €)	**2021**	**2020**	**Act.**	**Comp.[1]**
Europe, Commonwealth of Independent States, Africa, Middle East (EMEA)	6,775	4,747	43 %	38 %
Therein: Germany	1,745	874	100 %	95 %
Americas	6,407	5,691	13 %	9 %
Therein: United States	5,466	4,909	11 %	7 %
Asia, Australia	4,815	4,022	20 %	12 %
Therein: China	2,354	1,893	24 %	16 %
Siemens Healthineers	**17,997**	14,460	**24 %**	**19 %**

[1] Year-over-year on a comparable basis, excluding currency translation and portfolio effects as well as effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations.

Siemens Healthineers

On a comparable basis, revenue increased by 19 % compared to the prior year, which was impacted by the COVID-19 pandemic in all segments. Excluding rapid COVID-19 antigen tests, comparable revenue growth was at 12 %. All segments contributed to the growth. The Diagnostics segment posted sharp growth, particularly driven by the high demand for rapid antigen tests. On a nominal basis, revenue increased by 24 % to € 17,997 million, including revenue contribution from the new Varian segment. Currency translation effects had a negative impact of around 4 percentage points on revenue growth. This development was more than offset by portfolio effects – mainly related to the Varian acquisition – of around 9 percentage points. The equipment book-to-bill ratio was at 1.15 in fiscal year 2021 and hence above the prior-year figure of 1.06.

Segments

Adjusted revenue in Imaging rose by 11 % on a comparable basis. All imaging modalities contributed to this growth. Computed Tomography in particular reported significant growth, because its systems are also used for examinations of COVID-19 patients. From a geographic perspective, comparable revenue growth was sharp in EMEA, significant in Asia, Australia and very strong in the Americas. On a nominal basis, revenue rose by 8 % to €9,821 million.

Adjusted revenue in Diagnostics rose by 42 % on a comparable basis. Excluding rapid COVID-19 antigen tests, comparable revenue growth was 15 %. All regions contributed to the growth, in particular EMEA with a sharp increase driven by high demand for rapid antigen tests. A significant increase was realized also in the core business as testing volumes for routine care normalized. Asia, Australia and Americas recorded significant growth. On a nominal basis, adjusted revenue rose by 38 % to €5,418 million. This includes revenue of around €1,080 million from rapid COVID-19 antigen tests, which were distributed primarily in Europe.

After successful completion of the acquisition, the Varian segment achieved adjusted revenue of €1,300 million in the period from April 15 through September 30, 2021, around half of it in the region Americas.

Adjusted revenues of Advanced Therapies increased by 9 % – on a comparable basis. From a geographic perspective, comparable revenue growth was significant in Asia, Australia, very strong in EMEA, and strong in the Americas. On a nominal basis, revenue rose by 5 % to €1,716 million.

Regions

In EMEA, comparable revenue rose by 38 %. This increase was driven by all segments, with Imaging and particularly Diagnostics recording sharp growth. Varian generated adjusted revenue of €347 million in EMEA. Germany reported comparable revenue growth of 95 %, primarily due to the high demand for rapid COVID-19 antigen tests in the Diagnostics segment. Imaging and Advanced Therapies also contributed with strong and very strong growth, respectively.

The 9 % increase of comparable revenue in the Americas was driven by significant growth in the Diagnostics segment. Imaging and Advanced Therapies contributed with a very strong and a strong growth, respectively. Varian generated adjusted revenue of €588 million in the Americas. Revenue in the United States increased by 7 % on a comparable basis, with Diagnostics posting significant growth and Imaging and Advanced Therapies reporting strong growth.

In Asia, Australia, revenue increased by 12 % on a comparable basis. All segments contributed significant growth. Varian generated adjusted revenue of €365 million in Asia, Australia. China posted comparable revenue growth of 16 %, driven particularly by Imaging and Diagnostics. Advanced Therapies contributed significant growth.

A.3.2.2 Adjusted EBIT

	Fiscal Year	
(Adjusted EBIT in millions of €, margin in %)	**2021**	**2020[1]**
Adjusted EBIT	**3,142**	**2,248**
Therein:		
Imaging	2,076	1,916
Diagnostics	721	74
Varian	221	–
Advanced Therapies	254	308
Adjusted EBIT margin	**17.4 %**	**15.5 %**
Therein:		
Imaging	21.1 %	21.1 %
Diagnostics	13.3 %	1.9 %
Varian	17.0 %	–
Advanced Therapies	14.8 %	18.9 %

[1] Prior-year figures adjusted in line with updated definition of adjusted EBIT.

Siemens Healthineers

Supported by the positive revenue development and the first-time earnings contribution from Varian, adjusted EBIT increased by 40 % from the prior-year period. This results in an adjusted EBIT margin of 17.4 % for the fiscal year 2021 compared to 15.5 % in the prior year. The increase is mainly due to the strong margin development in Diagnostics, which was driven by high demand for rapid COVID-19 antigen tests.

Higher expenses for performance-related remuneration components as well as expenses for a one-time special payment to employees in the amount of around €56 million increased all functional costs. The expenses for the one-time special payment are allocated to central items. Currency effects also had a negative impact on adjusted EBIT margin. The prior-year figure included negative effects from the COVID-19 pandemic, while significantly lower expenses for performance-related remuneration components as well as income related to the U.S. CARES Act had an offsetting effect.

Research and development expenses increased by €204 million, or around 15 %. This includes €130 million from the new Varian reporting segment. Even excluding Varian and adjusted for currency translation, these expenses rose significantly compared to prior-year-level. This increase is due, among other factors, to higher expenses for further development of the Corindus business.

Selling and general administrative expenses increased by €539 million, or around 24 %. This includes €236 million from the new Varian reporting segment. Even excluding Varian and adjusted for currency translation, these expenses rose very significantly compared to prior-year-level.

Segments

The adjusted EBIT margin of Imaging was 21.1 % at prior-year level. Positive impacts from revenue growth were mainly offset by higher expenses for performance-related remuneration components and negative currency effects. Adjusted EBIT increased to € 2,076 million.

In Diagnostics, the adjusted EBIT margin of 13.3 % was clearly above the prior-year level of 1.9 %, mainly benefiting from additional revenue from rapid COVID-19 antigen tests. The margin was additionally supported by a recovery in the business with routine-care testing and by positive currency effects. This was partly offset by higher expenses for performance-related remuneration components. Adjusted EBIT increased to € 721 million. The prior year was adversely affected in particular by lower testing volumes for routine care and higher costs due to the COVID-19 pandemic.

The adjusted EBIT margin of Varian was at the upper end of the expected range and a very high 17.0 % based on a generated adjusted EBIT of € 221 million in the period from April 15 through September 30, 2021. A one-time effect from risk provisions and the closing of the transaction at the middle of the month had a positive impact.

In Advanced Therapies, the adjusted EBIT margin of 14.8 % was below the prior-year level of 18.9 %. It was mainly affected by higher expenses for performance-related remuneration components, negative currency effects and expenses for further development of the Corindus business. Excluding these factors, the adjusted EBIT margin was above the prior-year level. Adjusted EBIT declined to € 254 million.

Reconciliation to consolidated financial statements

The reconciliation from adjusted EBIT to net income is shown in the following table:

(in millions of €)	Fiscal Year 2021	Fiscal Year 2020[1]
Adjusted EBIT	**3,142**	2,248
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	−381	−168
Transaction, integration, retention and carve-out costs	−123	−34
Gains and losses from divestments	3	–
Severance charges	−68	−65
Total adjustments	−569	−267
EBIT	**2,573**	1,982
Financial income, net	−169	−27
Income before income taxes	**2,404**	1,954
Income tax expenses	−658	−532
Net income	**1,746**	1,423

[1] Prior-year figures adjusted in line with updated definition of adjusted EBIT.

The position amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments increased to € 381 million due to the acquisition of Varian. Transaction, integration, retention and carve-out costs of € 123 million were incurred mainly due to the Varian acquisition. In the prior year, they included costs mainly from the acquisition of Corindus.

Financial income, net declined from the prior-year period by € 142 million to negative € 169 million, mainly due to expenses in connection with the acquisition of Varian. This included negative effects in connection with the settlement of the deal contingent forward amounting to € 89 million. The prior-year period included an interest income related to international tax.

Income tax expenses increased by € 127 million to € 658 million. The effective income tax rate was at 27.4 % in fiscal year 2021, compared to 27.2 % in prior year. For further information, please refer to → ***Note 5 Income taxes*** in the notes to the consolidated financial statements.

As a result of the factors described above, net income increased by € 323 million to € 1,746 million. Consequently, adjusted basic earnings per share rose by 26 % to € 2.03.

(in €)	Fiscal Year 2021	Fiscal Year 2020[1]
Basic earnings per share	**1.57**	1.41
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	0.35	0.17
Transaction, integration, retention and carve-out costs	0.11	0.03
Gains and losses from divestments	−0.00	–
Severance charges	0.06	0.06
Transaction-related costs within financial income	0.11	0.01
Tax effects[2]	−0.17	−0.07
Adjusted basic earnings per share	**2.03**	1.61

[1] Prior-year figures adjusted in line with updated definition of adjusted earnings per share.
[2] Calculated based on the income tax rate of the respective reporting period.

A.3.3 Net assets and financial position

A.3.3.1 Net assets and capital structure

Net assets and capital structure are described by the following line items, which can be reconciled to the consolidated statements of financial position, as shown in the table:

	Sept 30,	
(in millions of €)	2021	2020
Operating net working capital	3,270	2,550
Remaining current assets [1]	822	643
Remaining non-current assets [1]	30,846	14,736
Net debt (including pensions) [1]	−12,809	−2,513
Remaining current liabilities [1]	−3,104	−1,936
Remaining non-current liabilities [1]	−2,686	−969
Total equity	**16,339**	**12,511**

[1] A change in the definition of net debt (described in paragraph net debt (including pensions)) led to a shift of amounts from remaining current and non-current assets and liabilities to net debt. The changes are indicated in footnotes. The prior-year amounts have been adjusted accordingly.

Operating net working capital

	Sept 30,	
(in millions of €)	2021	2020
Trade and other receivables	3,740	2,568
Contract assets	1,159	818
Inventories	3,179	2,304
Trade payables	−1,921	−1,356
Contract liabilities	−2,883	−1,784
Receivables from and payables to the Siemens Group from operating activities	−3	–
Operating net working capital	**3,270**	**2,550**

Operating net working capital increased by €720 million to €3,270 million, in particular due to the acquisition of Varian which resulted in an increase of €592 million. For further information regarding the acquisition, please refer to → ***Note 3 Acquisitions*** in the notes to the consolidated financial statements.

Apart from the acquisition of Varian, the remaining segments recorded an increase in trade and other receivables and in inventories of €481 million and €242 million, respectively, as a result of increased business activity and expected growth. The corresponding increase in trade payables of €412 million and contract liabilities of €254 million had an offsetting effect.

Remaining current assets

	Sept 30,	
(in millions of €)	2021	2020
Other current financial assets [1]	163	141
Current income tax assets	56	49
Other current assets	489	338
Remaining current receivables from the Siemens Group	114	116
Remaining current assets	**822**	**643**

[1] Excluding market value of forwards for hedging of foreign currency liabilities from financing activities.

The growth in remaining current assets by €179 million to €822 million and therein, in particular, the increase in other current assets is also largely due to the acquisition of Varian.

Remaining non-current assets

	Sept 30,	
(in millions of €)	2021	2020
Goodwill	17,512	9,038
Other intangible assets	8,211	1,912
Property, plant and equipment	3,712	2,774
Investments accounted for using the equity method	33	37
Other financial assets [1]	436	261
Deferred tax assets	481	419
Other assets	460	295
Remaining non-current assets	**30,846**	**14,736**

[1] Excluding market value of forwards for hedging of foreign currency liabilities from financing activities.

The increase in remaining non-current assets by €16,109 million to €30,846 million resulted largely from a rise of €8,475 million in goodwill, €6,299 million in other intangible assets and €938 million in property, plant and equipment. The increase included positive effects from currency translation in an amount of €763 million.

These developments were caused most notably by the acquisition of Varian. Independently of the transaction, property, plant and equipment in particular was up by €403 million, mainly because of investments in capacity expansions at various sites.

Net debt (including pensions)

Siemens Healthineers has changed the definition of net debt. Effective with fiscal year 2021, the market value of forward contracts for hedging of foreign currency liabilities from financing activities has been included in the key figure. This provides more relevant information with regard to the economic character of net debt, particularly in light of the increase in U.S. dollar-denominated debt in connection with financing the Varian acquisition.

(in millions of €)	Sept 30, 2021	Sept 30, 2020
Cash and cash equivalents	−1,322	−656
Current receivables from the Siemens Group from financing activities	−594	−3,271
Current liabilities to the Siemens Group from financing activities	1,926	2,040
Liabilities to the Siemens Group from financing activities	11,708	2,982
Market value of forwards for hedging of foreign currency liabilities from financing activities	−498	−92
Short-term financial debt and current maturities of long-term financial debt	225	167
Long-term financial debt	457	314
Net debt[1]	**11,901**	**1,484**
Provisions for pensions and similar obligations	908	1,029
Net debt (including pensions)	**12,809**	**2,513**

[1] The values as of September 30, 2020 were adjusted according to the new definition of net debt.

Net debt

In fiscal year 2021, net debt increased by € 10,416 million to € 11,901 million mainly due to finance transactions related to the financing of the acquisition of Varian.

The line items cash and cash equivalents, and current receivables from and liabilities to the Siemens Group from financing activities, collectively make up the Company's funds available at short notice. Changes in these items were attributable to income and expenditures from operations and to short-term investment or borrowing of liquidity.

The increase of € 666 million in cash and cash equivalents resulted mainly from cash acquired with the acquisition of Varian.

Current receivables from the Siemens Group from financing activities reduced by € 2,677 million, mainly due to using invested funds for the payment of the purchase price of the acquisition of Varian. The current liabilities to the Siemens Group from financing activities reduced by € 114 million, in particular, due to the repayment of a matured loan with a nominal value of US$ 859 million and a partial repayment of € 300 million on a loan taken out in fiscal year 2020, related to the financing of the acquisition of Corindus. This was offset by an additional short-term financing of € 850 million granted by the Siemens Group for the acquisition of Varian.

The significant increase in liabilities to the Siemens Group from financing activities of € 8,725 million was mainly due to the financing of the acquisition of Varian. For this purpose, the Siemens Group provided loans with various maturities totaling US$ 10.0 billion.

Further, the positive market value of forwards for hedging of foreign currency liabilities from financing activities increased by € 406 million, mainly due to the changes in the value of derivatives in order to hedge the foreign currency risks of loans denominated in U.S. dollars. For further information regarding derivatives, please refer to → ***Note 25 Financial instruments and hedging activities*** in the notes to the consolidated financial statements.

The increases in both short-term financial debt and long-term financial debt of € 58 million and € 143 million, respectively, were due in particular to liabilities which were acquired as part of the acquisition of Varian.

Pensions

Provisions for pensions and similar obligations reduced mainly due to a favorable development of the plan assets and an increase in the discount rate in countries with significant pension commitments. This was offset by taking over corresponding provisions in the amount of € 33 million in connection with the acquisition of Varian. In total, the line item decreased by € 121 million. For additional information, please refer to → ***Note 21 Provisions for pensions and similar obligations*** in the notes to the consolidated financial statements.

Financing management

In fiscal year 2021, the Siemens Group provided loans with various maturities with regard to the financing of the acquisition of Varian:

- US$ 1.2 billion maturing in fiscal year 2023,
- US$ 1.0 billion maturing in fiscal year 2024,
- US$ 1.5 billion maturing in fiscal year 2024,
- US$ 1.7 billion maturing in fiscal year 2026,
- US$ 1.2 billion maturing in fiscal year 2028,
- US$ 1.7 billion maturing in fiscal year 2031, and
- US$ 1.5 billion maturing in fiscal year 2041.

With the exception of the loan of US$ 1.0 billion the loans have a fixed interest rate. The resulting foreign currency risks were hedged by forward exchange contracts and by foreign exchange swaps. As a result, the loans with fixed interest rates were effectively converted into synthetic euro-denominated loans and actual interest expenses decreased due to positive forward elements of the forward exchange contracts and foreign exchange swaps. Only the nominal volume of the loan with a variable interest rate was hedged. In total, the actual current volume-weighted average interest rate of the loans amounts to approximately 0.3 %.

In addition, there were further loans with the Siemens Group with various maturities and in various currencies, in particular:

- €0.7 billion maturing in fiscal year 2022,
- €0.9 billion maturing in fiscal year 2022,
- US$ 0.7 billion maturing in fiscal year 2023,
- US$ 1.7 billion maturing in fiscal year 2027, and
- US$ 1.0 billion maturing in fiscal year 2046.

In addition to the loans listed above, as of September 30, 2020, there was one other loan in the amount of US$ 0.9 billion maturing and repaid in fiscal year 2021. In fiscal year 2019, the U.S. dollar-denominated loans maturing in fiscal years 2021, 2023 and 2027 were transferred from a U.S. entity to German entities. The resulting foreign currency risks were hedged by forward exchange contracts. As a result, the loans were effectively converted into synthetic euro-denominated loans and actual interest expenses decreased due to positive forward elements of the forward exchange contracts. In total, the actual current volume-weighted average interest rate of the transferred loans decreased to approximately 0.1%. The loan maturing in fiscal year 2046 carried a contractual interest rate of 3.4%. The loans maturing in fiscal year 2022 are with variable interest rates.

As of September 30, 2021, Siemens Healthineers continued to participate in the cash pooling of the Siemens Group, which included the short-term investment of excess liquidity and the borrowing of short-term funds within the Siemens Group. Excluded thereof are currently the entities that were acquired as part of the acquisition of Varian. Siemens Healthineers intends to set up its own cash pooling in the medium term in order to (partially) replace the participation in the cash pooling of the Siemens Group.

In addition, local bank facilities are in place to cover funding needs of some Siemens Healthineers entities which have no access to direct funding within Siemens Healthineers.

As in the previous year, the Siemens Group granted two credit facilities to Siemens Healthineers. As of September 30, 2021, a multicurrency revolving credit facility existed in an amount up to €1.1 billion (September 30, 2020: €1.1 billion). It serves as financing of net working capital and as short-term loan facility. Additionally, a multicurrency revolving credit facility in an amount up to €1.0 billion (September 30, 2020: €1.0 billion) was granted. Both credit facilities are available until January 31, 2023 and were utilized as of September 30, 2021 in the amount of €311 million (September 30, 2020: €166 million).

In fiscal year 2021, the bridge facility in an amount of €12.5 billion provided by the Siemens Group for the acquisition of Varian in fiscal year 2020, was fully canceled.

Please refer to → ***Note 16 Financial debt*** in the notes to the consolidated financial statements for further information on financial debt. For more information on financial risk management responsibilities and objectives, please refer to → ***Note 26 Financial risk management*** in the notes to the consolidated financial statements.

Remaining current liabilities

	Sept 30,	
(in millions of €)	**2021**	**2020**
Other current financial liabilities [1]	263	93
Current provisions	356	270
Current income tax liabilities	468	374
Other current liabilities	2,016	1,198
Remaining current liabilities to the Siemens Group	1	–
Remaining current liabilities	**3,104**	**1,936**

[1] Excluding market value of forwards for hedging of foreign currency liabilities from financing activities.

Remaining current liabilities increased by €1,168 million to €3,104 million. Therein, other current liabilities increased by €818 million mainly due to deferrals related to increased performance-related remuneration components and the acquisition of Varian.

Remaining non-current liabilities

	Sept 30,	
(in millions of €)	**2021**	**2020**
Deferred tax liabilities	2,082	470
Provisions	150	144
Other financial liabilities [1]	19	10
Other liabilities	435	345
Remaining non-current liabilities	**2,686**	**969**

[1] Excluding market value of forwards for hedging of foreign currency liabilities from financing activities.

Remaining non-current liabilities grew by €1,717 million to €2,686 million. Therein, in particular, deferred tax liabilities increased by €1,612 million, mainly as a result of the acquisition of Varian. For further information regarding deferred tax liabilities from the acquisition, please refer to → ***Note 3 Acquisitions*** in the notes to the consolidated financial statements.

Total equity

(in millions of €)	Sept 30, 2021	Sept 30, 2020
Issued capital	1,128	1,075
Capital reserve	15,818	13,476
Retained earnings	−300	−1,276
Other components of equity	−85	−741
Treasury shares	−240	−36
Total equity attributable to shareholders of Siemens Healthineers AG	**16,321**	**12,498**
Non-controlling interests	18	13
Total equity	**16,339**	**12,511**

Equity rose by €3,828 million to €16,339 million, mainly as a result of issuing new shares of Siemens Healthineers AG in March 2021 for financing the acquisition of Varian. Issued capital increased by €53 million and capital reserve by €2,275 million, including effects from transaction costs and taxes.

Retained earnings increased by €977 million, mainly due to net income for fiscal year 2021 of €1,746 million. This was partly offset by dividend payments of €856 million.

Other components of equity increased by €656 million, mainly due to currency translation differences.

In fiscal year 2021, an increased number of treasury shares was repurchased to fulfill share-based payment programs based on shares of Siemens Healthineers AG. Thus, the treasury shares increased by €203 million to €240 million. The increase was attributable to the growing transformation of the share-based payment programs from Siemens AG shares to Siemens Healthineers AG shares since the IPO in fiscal year 2018, and to the price development of Siemens Healthineers AG shares.

Please refer to → ***Note 23 Equity*** in the notes to the consolidated financial statements for further information regarding equity.

A.3.3.2 Cash flows

(in millions of €)	Fiscal year 2021	Fiscal year 2020
Net income	1,746	1,423
Change in operating net working capital	−97	−149
Other reconciling items to cash flows from operating activities	1,285	654
Cash flows from operating activities	**2,933**	**1,928**
Cash flows from investing activities	**−14,140**	**−1,912**
Cash flows from financing activities	**11,839**	**−249**

Operating activities

Cash flows from operating activities grew by €1,005 million to €2,933 million, in particular, due to a positive development of net income combined with improved cash conversion from operating activities and the first-time inclusion of Varian.

The change in operating net working capital had a negative impact on cash flows from operating activities of €97 million which was €52 million less compared to the previous year. The growth in business volume led to increases of all items of the operating net working capital, largely offsetting each other. This also includes a €310 million decrease in the use of funds for inventories compared to the previous year. The high build-up of inventories in the prior year resulted mainly from ensuring the delivery capability of all segments at the onset of the COVID-19 pandemic.

The increase in other reconciling items to cash flows from operating activities, in particular, includes an increased change in other assets and liabilities of €492 million. This mainly results from the fact that, in contrast to the previous year, non-cash expenses for performance-related income components were significantly higher than the payouts.

Investing activities

Cash outflows from investing activities increased by €12,228 million to €14,140 million. This was essentially based on the payout for the acquisition of Varian. Cash outflows also increased by €117 million due to additions to intangible assets and property, plant and equipment. The increase was mainly a result of investments for capacity expansions.

Financing activities

Cash inflows from financing activities were strongly influenced by the financing of the acquisition of Varian, changing by €12,087 million to €11,839 million.

In fiscal year 2021, cash inflows of €2.3 billion resulted from issuance of new shares in March 2021.

Cash flows from other transactions/financing with the Siemens Group changed by €12,814 million to a positive figure of €10,961 million. This includes inflows from borrowings in the amount of US$ 10,0 billion and an additional financing in the amount of €850 million, provided by the Siemens Group in fiscal year 2021 to finance the acquisition of Varian. This was partly offset by cash outflows from the repayment of matured loans described above in the amount of €730 million (nominal value: US$ 859 million) and €300 million.

Further cash outflows resulted from dividends paid to shareholders of Siemens Healthineers AG amounting to €856 million (2020: €798 million).

Free cash flow

Siemens Healthineers reports free cash flow as a supplemental liquidity measure:

	Fiscal year	
(in millions of €)	2021	2020
Cash flows from operating activities	**2,933**	1,928
Additions to intangible assets and property, plant and equipment	−674	−557
Free cash flow	**2,259**	1,371

A.3.3.3 Additions to intangible assets and property, plant and equipment

Siemens Healthineers' investments were aimed mainly at enhancing competitiveness and innovation capability. The main capital expenditures were for additions to intangible assets, including capitalized development expenses, as well as for replacements and enhancements of property, plant and equipment in the ordinary course of business.

The segments' additions to intangible assets and property, plant and equipment focused especially on the following:

Imaging: Additions mainly included supply chain automation, acquisition of special tooling, machinery and capacity increase and expansions.

Diagnostics: In fiscal year 2021, additions to intangible assets were primarily attributable to product developments within the Atellica Solution and Central Lab product lines. Additions to property, plant and equipment mainly related to investments in production facilities in China and the United States.

Varian: In fiscal year 2021, additions mainly comprised investments related to capacity increase and expansions.

Advanced Therapies: In fiscal year 2021, investments were mostly associated with new machinery and tools for the new Artis Icono product family and Corindus.

Siemens Healthineers had contractual obligations as of September 30, 2021, to purchase property, plant and equipment totaling €184 million (September 30, 2020: €107 million). These are mainly future payments related to real estate investments and will be financed mainly through the cash pooling of the Siemens Group.

A.3.4 Overall assessment of the economic position

With respect to our outlook provided in the Annual Report 2020, we expected for fiscal year 2021:

- For Siemens Healthineers: comparable revenue growth between 5% and 8% and adjusted basic earnings per share between €1.58 and €1.72.
- For the Imaging segment: comparable revenue growth of at least 5%, clearly above the previous year, as well as an increase in adjusted EBIT margin of around 100 basis points compared to the prior year.
- For the Diagnostics segment: mid- to high-single-digit comparable revenue growth and recovery of the adjusted EBIT margin to more than 5%, clearly above the prior-year level.
- For the Advanced Therapies segment: comparable revenue growth of at least 5%, strongly above the prior-year level, as well as continued positive development of the adjusted EBIT margin compared to the industry overall, thus coming in at approximately the prior-year level.

The outlook provided in the Annual Report 2020 was updated after the first quarter, at half-year, and after the third quarter (see table below). This was due in particular to a steady increase in revenue expectations for rapid COVID-19 antigen tests in the Diagnostics segment (from at least €100 million in the Annual Report 2020 to approximately €1 billion in the quarterly statement for the third quarter), continued high demand in Computed Tomography and X-Ray Products of the Imaging segment, whose systems are also used in examinations of COVID-19 patients, the completion of the Varian acquisition in April 2021, and increased expectations of demand in other core business areas of the segments.

In the outlook updated after the third quarter of the fiscal year 2021 (hereinafter "Q3 2021"), we expected comparable revenue growth between 17% and 19% compared to fiscal year 2020 and adjusted basic earnings per share (adjusted for expenses for portfolio-related measures, and severance charges, net of tax) to be between €1.95 and €2.05 (comparable prior-year figure: €1.61). The outlook was based on the assumption that pandemic-related demand would not persist to the same extent in the fourth quarter and beyond fiscal year 2021. In addition, it was assumed that current and potential future measures to bring the COVID-19 pandemic under control would not negatively impact the demand for our products and services. The outlook was based on exchange rate assumptions at that point in time and on the higher weighted average number of outstanding shares for the fiscal year 2021 due to the second capital increase amounting to 1.1 billion. It was assumed that there would be no material change in the valuation of share-based compensation programs that are tied to shares of Siemens AG. The outlook also excluded charges related to legal and regulatory matters.

For fiscal year 2021, Siemens Healthineers' comparable revenue growth was 19% and therefore at the upper end of the range we expected in the outlook Q3 2021.

On a comparable basis, adjusted revenue increased by 11% in the Imaging segment, by 42% in the Diagnostics segment and by 9% in the Advanced Therapies segment. Hence, we met our expectations with respect to comparable revenue growth in the outlook Q3 2021. Adjusted revenue of the Varian segment amounted to €1,300 million, so we were also able to achieve a result within the expected target corridor here.

With 21.1%, the adjusted EBIT margin of Imaging was at the prior-year level and hence below our expectation in the outlook Q3 2021. This was due to higher negative currency effects, a less favorable business mix as well as higher material and logistics costs than expected in the third quarter. Diagnostics achieved an adjusted EBIT margin of 13.3%, clearly above the prior year, and hence fulfilled the expectation in the outlook Q3 2021. With 17.0%, the adjusted EBIT margin of Varian was at the upper end of the expected target corridor. Advanced Therapies also met the expectation in the outlook Q3 2021 with an adjusted EBIT margin of 14.8%.

Net income increased by 23% to €1,746 million, mainly due to higher EBIT. A decrease in financial income, net, mainly resulting from expenses in connection with the acquisition of Varian, had a partly offsetting effect. The higher net income resulted in an increase of 26% in adjusted basic earnings per share to €2.03. Hence, the adjusted basis earnings per share were in the upper half of our expected target corridor between €1.95 and €2.05 in the outlook Q3 2021. Therefore, we fulfilled our outlook.

The Managing Board and the Supervisory Board propose to the Shareholders' Meeting to distribute a dividend of €0.85 per share entitled to the dividend. This amount is above the prior-year level of €0.80 and in total represents approximately €954 million in expected payments. Based on the net income of €1,746 million for fiscal year 2021, the dividend payout percentage is at 55%.

		Development of outlook FY 2021				
		Annual Report 2020	**Quarterly Statement Q1**	**Half Year Financial Report**	**Quarterly Statement Q3**	**Results FY 2021**
Siemens Healthineers	Comparable revenue growth	Between 5% and 8%	Between 8% and 12%	Between 14% and 17%	Between 17% and 19%	19%
	Adjusted basic earnings per share	Between €1.58 and €1.72	Between €1.63 and €1.82	Between €1.90 and €2.05	Between €1.95 and €2.05	€2.03
Segments **Imaging**	Comparable revenue growth	At least 5%, clearly above the previous year	At least 7%	More than 8%, above the previous year	More than 9%	11%
	Adjusted EBIT margin	Increase of around 100 basis points compared to the prior year	Increase of around 100 basis points compared to the prior year	Increase of around 100 basis points compared to the prior year	Increase of around 100 basis points compared to the prior year	21.1%
Diagnostics	Comparable revenue growth	Mid- to high-single-digit	At least in the mid-teens	More than 25%	More than 35%	42%
	Adjusted EBIT margin	More than 5%, clearly above the prior-year level	More than 7%	More than 10%, clearly above the prior-year level	More than 10%, clearly above the prior-year level	13.3%
Varian	Adjusted revenue (April 15 to September 30, 2021)			Between €1.2 billion and €1.4 billion	Between €1.3 billion and €1.4 billion	€1.3bn
	Adjusted EBIT margin			Between 12% and 14%	Between 15% and 17%	17.0%
Advanced Therapies	Comparable revenue growth	At least 5%, strongly above the prior-year level	At least 6%	More than 7%, above the prior-year level	More than 7%, above the prior-year level	9%
	Adjusted EBIT margin	At approximately the prior-year level, continued positive development compared to the industry overall	Continued positive development compared to the industry overall	Continued positive development compared to the industry overall	At mid-teens	14.8%

A.4 Nonfinancial matters

Siemens Healthineers is exempted from submitting the nonfinancial group declaration pursuant to Section 315b (2) of the German Commercial Code (hereinafter "HGB") and refers to the combined nonfinancial group declaration, which is integrated in the combined management report in the annual report of Siemens Group for fiscal year 2021. Siemens Group's annual report will be published on the Internet at → ***www.siemens.com/investor/en/publications_calendar.php***.

A.5 Report on expected developments

A.5.1 Expected market development

The COVID-19 pandemic continues to be characterized by volatility and rapid swings, and will remain so as long as further waves, challenges in global vaccine availability, inconsistent vaccination rates, and corresponding government measures remain. Given this unpredictability, the customary and historic development patterns of Siemens Healthineers' markets may only be partially suitable for forecasting purposes. At the moment, therefore, reliably estimating the impact of COVID-19 on our addressed markets and, thus, the expected developments of these markets, is challenging. Nevertheless, we expect that the underlying trends described in → ***A.1.2 Business environment*** are and will remain intact.

We continue to evaluate the impact of the COVID-19 pandemic on our addressed markets. This includes following debates on potential approaches to reforming national health systems. Initiatives aimed at increasing resilience include the optimization of pandemic prevention and a drive to increase investment in national health systems and innovation. The positive effect on relevant market segments within the medtech landscape (e.g. SARS-CoV-2 tests, equipment and supplies needed to fight COVID-19) and certain technologies (e.g. telehealth) might continue in the next fiscal years. Estimations on when the overall market size and growth might return to pre-COVID-19 levels, are complicated by variations across market segments and geographies. Healthcare budget restraints, potential shifts in budget allocations and increased price sensitivity may have different effects on individual markets in each business area.

For the Imaging market, it is expected that a normalization of growth to pre-COVID-19 levels will take place in fiscal year 2022. Following high demand for computer tomographs in the past fiscal year, we expect the market to decline moderately in the next fiscal year, however with market volumes in fiscal year 2022 expected to exceed pre-COVID-19 levels. For the other modalities, market growth is expected to continue to a lower level than in fiscal year 2021. Some increase will also be generated by digital growth areas such as AI-based clinical decision-making and telehealth.

Vaccination rates in the population and further COVID-19 implications such as further waves and testing guidelines are key factors for determining expected growth in the market for our Diagnostics segment. We expect demand for tests for acute infection with SARS-CoV-2 to fall sharply. If rapid antigen tests are not considered, we expect growth in the point-of-care market to flatten at a moderate level. We expect the market for routine care in laboratory diagnostics to recover to pre-COVID-19 levels with moderate growth. Even though markets in molecular diagnostics are expected to decline sharply, they still remain at a high level. Overall, this does mean, however, that the diagnostics market will contract over the next fiscal year.

The Varian market is expected to continue along the path to recovery throughout fiscal year 2022. Assuming the effects of the pandemic continue to subside, we expect investments that were temporarily postponed to resume, resulting in a higher growth rate. In addition, an increase in patient volumes is to be expected, as it can be assumed that an increase in cancer diagnoses will result from a resumption of routine cancer screenings. As market leader in radiotherapy, Varian is in a good position to accelerate the deployment of cutting-edge technology in key markets such as the U.S., China and Europe.

The expectation for the Advanced Therapies segment is that the slight market recovery already seen in fiscal year 2021 will continue on a broad basis in fiscal 2022. The number of routine and elective procedures should gradually normalize with a further reduction in COVID-19 impact.

In addition to the addressable product markets of Imaging and Advanced Therapies described above, the product-related service market offers sustainable growth potential. Thanks to stable growth of the installed base, we expect positive growth in this area.

These market development expectations are based on Siemens Healthineers' market model that builds on external sources (among others from IQVIA Ltd., KLAS, IMV, The Lancet Oncology, OMDIA and Signify Research), market information from MedTech industry associations (among others COCIR, NEMA, JIRA and MedTech Europe) and Siemens Healthineers' management estimates. In the case of Varian, the forecasts include data from regulatory authorities (among others from ASTRO, ESTRO, the Global Task Force on Radiotherapy for Cancer Control (GTFRCC), which is part of the Union for International Cancer Control (UICC) and the International Atomic Energy Agency (IAEA)).

A.5.2 Expected business development

In fiscal year 2022, for purposes of management control, we will use comparable revenue growth along with adjusted EBIT margin (for the segments) and adjusted basic earnings per share (for Siemens Healthineers).

Development in the Imaging segment will be based primarily on recent and planned launches of new products and platforms along with sales of imaging products and services from our existing portfolio. In fiscal year 2022, we expect comparable revenue growth between 5% and 8% in the Imaging segment and an adjusted EBIT margin between 22% and 23%.

Our growth expectations for the Diagnostics Segment are based on new products and an improvement in diagnostic techniques as well as an anticipated increased demand from emerging markets and an anticipated rise in awareness regarding preventive health checks (wellness testing). The outlook is based on the assumption that we generate around €200 million in revenue with our COVID-19 rapid antigen test. In fiscal year 2022, we expect mid-teens negative comparable revenue growth in the Diagnostics segment and an adjusted EBIT margin in the high-single digits. Excluding revenue from rapid COVID-19 antigen tests, we expect comparable revenue growth between 2% and 4% and an adjusted EBIT margin in the mid- to high-single digits.

Development in the Varian segment will be determined by sales of comprehensive multi-modality cancer care technologies, services, and digital solutions and applications. Continued portfolio expansion will support our growth expectations. Total adjusted revenue will be used to manage the segment in fiscal year 2022, because the acquisition closed in April of 2021 and therefore we do not have a full-year basis of comparison for using comparable revenue growth in the coming fiscal year. In fiscal year 2022, we expect adjusted revenue between €2.9 billion and €3.1 billion in the Varian segment and an adjusted EBIT margin between 15% and 17%.

Our growth expectations for the Advanced Therapies segment are based on a sustainable development of the business environment in all addressed clinical areas and the megatrend of minimally invasive interventions. In fiscal year 2022, we expect comparable revenue growth between 5% and 8% in the Advanced Therapies segment and an adjusted EBIT margin between 14% and 17%.

A.5.3 Overall assessment of the expected development

For fiscal year 2022, we expect comparable revenue growth to be in the range of 0% to 2% compared to fiscal year 2021. Excluding revenue from rapid COVID-19 antigen tests, we expect comparable revenue growth between 5% and 7%. We expect adjusted basic earnings per share to be between €2.08 and €2.20.

We are exposed to exchange rate effects, particularly involving the U.S. dollar and the currencies of emerging markets such as the Chinese yuan. We expect volatility in global currency markets to continue in fiscal year 2022. Siemens Healthineers is still a net exporter from the euro zone into the rest of the world, which means that in terms of absolute values a weak euro is generally favorable for our business and a strong euro is in principle unfavorable. We use derivative financial instruments to hedge currency risks in our business. We expect this measure to help us limit effects on income related to exchange rate fluctuations in fiscal year 2022.

The outlook is based on several assumptions including the expectation that current and potential future measures to keep the COVID-19 pandemic under control will not negatively impact the demand for our products and services. The outlook is based also on current exchange rate assumptions and excludes portfolio activities. The outlook further excludes charges related to legal, tax, and regulatory matters and frameworks.

The expected adjusted basic earnings per share is based on the expected income tax-rate for fiscal year 2022 and on the number of outstanding shares at the end of fiscal year 2021.

The actual development for Siemens Healthineers and the segments may vary, positively or negatively, from our outlook due to the opportunities and risks described in the following chapter or if our expectations and assumptions do not materialize.

A.6 Report on material risks and opportunities

A.6.1 Risk management

Basic principles of risk management

For us, diligent handling of risks and opportunities is part of responsible corporate governance and supports our pursuit of sustainable growth and thereby increased company value. Hence it is essential to manage risks and opportunities appropriately. Our risk management is therefore an integral part of the planning and implementation of our business strategies. The risk management policy is set by the Managing Board. In accordance with our organizational and accountability structure, each of the respective managements of businesses, regions and functions is obliged to implement a comprehensive risk management system. This is tailored to their specific area and its responsibilities, while at the same time being consistent with the overall policy.

Company-wide risk management process and organization (Enterprise Risk Management Process)

We make use of a coordinated set of risk management and control systems. These should support us in the early recognition of developments that could jeopardize the continuity of our business. The most important of these systems include our company-wide procedures for strategic planning and management reporting. Strategic planning is intended to support us in assessing potential risks well in advance of major business decisions. Management reporting is intended to enable us to monitor such risks more closely as our business progresses. Our internal auditors regularly review the adequacy and effectiveness of our risk management. Accordingly, if deficits are detected, it is possible to adopt appropriate measures to eliminate them. This coordination of processes and procedures is intended to help ensure that the Managing Board and the Supervisory Board are fully informed about significant risks in a timely manner.

Risk management at Siemens Healthineers builds on a comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach. This approach is integrated into the organization and addresses both risks and opportunities. It is based on the globally accepted COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework "Enterprise Risk Management – Integrating with Strategy and Performance" (2017) as well as the ISO (International Organization for Standardization) Standard 31000 (2018), and is adapted to Siemens Healthineers' requirements.

Our ERM process aims for early identification and evaluation of, and response to, risks and opportunities that could materially affect the achievement of our strategic, operational, financial and compliance objectives. The time horizon covered by ERM is typically three years. Our ERM is based on a net approach, addressing risks and opportunities that remain after the existing control measures have been taken. If risks have already been considered in plans, budgets, forecasts or the financial statements (for example as a provision or risk contingency), they are be incorporated, along with their financial impact, in the entity's business objectives. As a consequence, only additional risks arising from the same subject (for example deviations from business objectives, different impact perspectives) should be considered for the ERM. In order to provide a comprehensive view of our business activities, risks and opportunities are identified in a structured procedure. This combines elements of both top-down and bottom-up approaches. While reporting generally follows a quarterly cycle, this regular reporting process is complemented by an ad hoc reporting process that aims to escalate critical issues in a timely manner. Relevant risks and opportunities are prioritized in terms of impact and likelihood, considering different perspectives, including business objectives, reputation and regulatory matters. The bottom-up identification and prioritization process is supplemented by workshops with the respective managements of the Siemens Healthineers businesses and regional levels. This top-down element ensures that potential new risks and opportunities are discussed at the management level and are included in the subsequent reporting process, if found to be relevant. Reported risks and opportunities are analyzed for their potential cumulative effects and are aggregated within and for each of the organizational levels mentioned above.

Responsibilities are assigned for all relevant risks and opportunities. The hierarchical level of responsibility depends on the significance of the risk or opportunity. In a first step, assuming responsibility involves choosing one of our general response strategies. The general response strategies with respect to risks are to avoid, transfer, reduce, retain or watch the relevant risk. The general response strategy for opportunities is to pursue the opportunity concerned. In a second step, responsibilities involve developing, initiating and monitoring appropriate response measures according to the chosen response strategy, within an appropriate time frame. To allow for effective risk management, these response measures must be specifically tailored to relevant circumstances. Accordingly, we have developed a variety of response measures.

In order to allow for a meaningful discussion at the Company level, individual risks and opportunities of similar cause-and-effect nature are aggregated into risk and opportunity themes. This aggregation naturally results in a mixture of risks, including those with a primarily qualitative assessment and those with a primarily quantitative risk assessment. Accordingly, we do not adopt a purely quantitative assessment of risk themes.

A.6.2 Risks

Hereafter we describe risks that could have a material adverse effect on our business situation, net assets, financial position (including effects on assets, liabilities and cash flows), results of operations and reputation. The order in which the risks are presented in each of the four categories reflects the currently estimated exposure for Siemens Healthineers associated with these risks and thus provides an indication of the risks' current importance to us. Additional risks not known to us or that we currently consider immaterial may also negatively impact our business objectives and operations. Unless otherwise stated, the risks described below relate to all of our segments.

A.6.2.1 Strategic risks

Transactional Risks (M&A)

Our business strategy includes amongst others the acquisition of companies and business activities that expand or complement our existing business such as the acquisition of Varian Medical Systems, Inc. Successful growth through acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions at favorable terms and ultimately complete such transactions as well as integrate the acquired companies successfully. Mergers and acquisitions (M&A) are generally associated with risks due to the difficulties that may arise when integrating people, operations, technologies and products. Non-compliance with closing conditions or denial of necessary regulatory approvals could adversely affect the strategic planning and result in additional costs. Our assessments and assumptions regarding acquisition targets may not prove to be correct and actual developments may differ significantly from our expectations. This could mean that the expected synergies such as cost savings may not be fully realized. Acquired companies may also have unexpected or previously unidentified liabilities or pending regulatory litigation. This could result in additional costs and negative effects on our business. There is no guarantee that any of the acquired companies can be integrated successfully and within the planned time frame. It is possible that the intended combination of companies, processes and employees will be more complex than expected. If we cannot successfully integrate newly acquired companies into our existing operations, for example in terms of regulatory compliance, information technology and finance, additional expenses, delays and difficulties could arise. The same applies for the integration of corporate cultures. If we do not succeed in integrating these and retaining employees, we risk losing employees in key roles. This could have a negative impact on our know-how and our ability to innovate as well as on our cooperation with customers. Furthermore, acquisitions could cause an increased and unsustainable workload for employees as well as a lack of employee engagement and well-being, which could result in higher staff turnover rates and instability. An acquisition could also lead to the loss of customers, suppliers, partners, licensors or contacts to other stakeholders. In addition, unforeseen acquisition, administrative, tax and other expenditures may incur in connection with these transactions, including costs related to integration of acquired businesses. Should the business performance of the acquired company be below our expectations on a lasting basis, this could lead to impairment losses, in particular on goodwill and intangible assets which could adversely affect our net assets and results of operations. We counter these risks by carefully selecting the companies to be acquired and by conducting a thorough due diligence. We also create detailed integration plans, set up integration projects and strive to implement them in a way that countermeasures can be initiated in a timely manner. Moreover, we support the integration of corporate cultures and change management by providing clarity about organizational structures to employees and developing and executing clear communication plans. In addition, we strive to achieve and maintain employee loyalty through adequate incentive and compensation programs as well as access to additional local benefits and the company infrastructure.

Economic, political and geopolitical developments

We operate production, development and service facilities in a number of different countries and market our products, solutions and services worldwide. Global or regional economic and geopolitical instability as well as continuing uncertainties and challenging conditions in regional markets may have a negative impact on our business. Future developments globally depend on a number of political and economic factors that we cannot fully anticipate. There is a risk that an unstable political, regulatory and economic environment in certain countries might potentially result in significant adverse business impacts including non-sustainable business development, diverted management attention or less competitive strength. If global macroeconomic growth stalls and we cannot successfully adapt our production and cost structure to subsequent changes in the markets we operate in, it cannot be ruled out that we will experience adverse effects. In addition, the prices for our products, solutions and services may decline as a result of unfavorable market conditions to a greater extent than we currently anticipate. Moreover, there is an increase in governmental protectionism in recent years, for example in the form of import and export controls, tariffs and other trade barriers. Protectionist trade policies and changes in the political and regulatory environment in our markets could expose us to penalties and sanctions and could negatively affect our business in national markets. Furthermore, the imposition of import customs duties, increased regulatory burdens, and non-refundable taxes on foreign value added could result in a reduction of our profit, if passing these costs along to customers is not feasible. Other protectionist measures such as the imposition of localization requirements or local ownership and shareholder regulations could adversely affect our business volume and market share as well as worsen our competitive position in bidding processes. Moreover, the United States and China are important markets, and the trade conflict between the two countries burdens our relevant business. This also brings, in addition to punitive tariffs, the risk of threats to free market access. Additional governmental influences and regulations in key geographies, such as China's five-year plans, could negatively affect our development in such countries and result in a loss of market share. Further risks stem from geopolitical tensions (such as in Iran, Syria, Russia, North Korea, Afghanistan and Ukraine) and the conflicts which may potentially arise. To counter these risks and identify critical cases, we constantly monitor economic, political and geopolitical developments and their indicators. Based on this we adapt our processes and business model to possible changes arising from protectionism, ensure compliance with all legal requirements and educate the organization about these changes. We also use opportunities to engage in discussions with local authorities. Siemens Healthineers' global setup, with operations in almost all relevant economies, together with the variety of our products and services, can contribute to offsetting of the impact of an unfavorable development in a single market.

Competitive environment

The worldwide markets for our products, solutions and services are highly competitive in terms of pricing, product and service quality, product development and introduction time, customer service and financing terms. Market demand is also subject to change, partly due to rapid and significant changes resulting from the introduction of innovative and disruptive technologies. New competition in the form of medical technology companies in the low-price segment or niche markets, as well as independent service organizations, or global players that want to expand their business with new portfolio elements or introduce new business models, might lead to increased pressure on prices or a loss of market share. There is also the risk that, against the backdrop of rapid technological progress, new companies previously from outside the industry, such as IT companies, will penetrate our markets. We counter this risk by constantly monitoring existing competitors, known potential competitors, and barriers to market entry, as well as by adapting our strategies and measures accordingly. In addition, we maintain an exchange of information within industrial associations. If healthcare markets, especially in emerging countries, are unable to achieve the growth we anticipate, then the demand for our products, solutions and services could slow down. If we do not meet the changed market requirements we could lose market share to our competitors as well as experience an unexpected price erosion. In some sectors in which we operate, consolidation on the customer side is increasing. If our customers combine through mergers and acquisitions, join group purchasing organizations or otherwise collectively enter our markets, it could result in a lower sales volumes and higher price pressure. We address these risks with various measures. These include, among other examples, benchmarking, strategic initiatives, sales push initiatives, and the implementation of productivity measures and projects to achieve target costs, for instance by adjustment of operational structures, outsourcing, mergers and establishment of joint ventures, as well as by exporting from low-cost countries to price-sensitive markets and optimizing our product portfolio.

A.6.2.2 Operational risks

Cybersecurity

We observe a continuous global increase of cybersecurity threats and higher levels of sophistication in cybercrime, particularly in the healthcare industry during the COVID-19 pandemic. With our business in healthcare, the products, solutions, and services of Siemens Healthineers are therefore exposed to a particularly high cyber risk. As an example, ransomware attacks against healthcare providers lead to major negative impacts on the provision of healthcare services and continue to be a significant risk to healthcare providers, threatening both patient treatment and security of sensitive patient data. There are increasingly, large volumes of information, including patient data, being generated that need to be securely processed and stored by the healthcare organizations involved. In the event of cyber-attacks, the security of the data and the privacy of the patients treated with the help of our products and solutions could be at risk. Attacks experienced against Siemens Healthineers, however, have not changed significantly in number and criticality. We place a strong focus on cybersecurity to protect our customers, their patients, and ourselves from cyberattacks. Therefore, we have established a global cybersecurity organization engaging all relevant areas of our company and integrates cybersecurity resources, expertise, and competence in a central team. It is set up as an enabler and responsible for cybersecurity strategy, governance, and assurance. In December 2020, as a result of our strategy and the effectiveness of our measures, we received ISO 27001 and 27701 certifications covering our global governance and assurance. In addition to our established technical and organizational controls, we continuously strengthen the awareness of our employees so they can detect attacks at an early stage and react to them in an improved manner. This is particularly important during the COVID-19 pandemic, due to the high number of employees working remotely on an ongoing basis. Because cybersecurity is a shared responsibility across all involved parties and various stakeholders, we are also continually developing our ability to preventively protect our customers from cyber-attacks as well as responsively support them when they occur. Furthermore, we enable business continuity through our cyber resilience. Therefore, we continue to focus on expanding, adapting and improving established security controls across the organization and the supply chain. We have committed ourselves to our security and privacy by design and default approach, for both products and internal operations. Our exchanges and collaborations with healthcare providers, industry, partners, regulators and security researchers in line with the Charter of Trust principles for a secure digital world have been expanded, with customer advisory boards, development of internal standards and exchanges of threat intelligence.

COVID-19 Pandemic

Since the beginning of calendar year 2020 we have been affected by impact from the COVID-19 pandemic. The highly volatile situation and its consequences, as well as the varying regulations around the world, may expose us to the risk of various negative impacts on our company. Some of the potential key impacts include harm to our employees' health and safety, and the closure of offices and production facilities due to COVID-19 cases. Moreover vaccination and testing standards being established in some countries might result for example in the loss of employees. We could experience negative business impacts in the form of disruptions of our supply chain, delays in our time to market for certain products or product lifecycles, or changes in installation and service capacities. Other potential key impacts include revenue shortfalls for example due to investment shifts, shifts in public funding or financial difficulties of customers. Investment shifts could particularly affect demand for medical imaging equipment insofar as they are not used in the treatment of COVID-19 patients. Furthermore, unforeseen expenses could adversely impact our financial position. In order to ensure business operations and reduce impacts of the pandemic on our business, we initiated a broad spectrum of situational measures. These include among others protecting our workforce (through for example COVID-19 testing, remote working and vaccinations), regular crisis management team meetings led by the managing board and dedicated task forces, coordinating local response plans, and ensuring close coordination with suppliers. We continue to observe the situation, including changes in pandemic-related restrictions, on an ongoing basis in order to quickly identify new developments, evaluate potential impacts, assess risks and make adjustments where necessary.

Product development and introduction

We develop, produce and sell a comprehensive portfolio of products, solutions and services (including accessories and software products) to a wide range of healthcare providers. With many of our products, solutions and services we are an industry-wide technology leader. Our operating results depend to a significant extent on our technological leadership, as well as our ability to anticipate changes in our markets and to adapt us the costs of producing our products to those changes. Our products, solutions, services and their enhancements often have long development and government approval cycles. As a result, this requires us to maintain early and accurate anticipation of relevant changes in the marketplace, in technology and in customer demands. Introducing new products and technologies requires a significant commitment to R&D, which in turn requires expenditure of considerable financial resources that may not always result in success. Our results of operations could be negatively impacted if we invest in technologies that do not operate as expected or cannot be integrated as planned, or that do not find the expected market acceptance. The same applies if our products, solutions or services are not introduced to the market at the targeted margins in a timely manner particularly compared to our competitors, or even become obsolete. Furthermore, errors in the design of our products or operational disruptions in our value chain could result in quality problems or potential product, labor safety, regulatory or environmental risks. The correction of errors could lead to unforeseen costs, at the same time result in guarantee or warranty claims, and, moreover, adversely impact our reputation. Our patents and other intellectual property rights may not prevent competitors from independently developing or selling products and services that resemble or replicate our own. If we are unable to protect or effectively enforce our intellectual property rights against the competition, we might lose our technical leadership position and market share which could result in negative financial impact, loss of reputation or customers. To counter these risks, we continuously initiate and implement measures for quality improvement, project risk management and claim prevention that contribute to the mitigation of existing risks. In addition, we closely monitor market developments in order to identify and react on new demands early on. We constantly apply for new patents and actively manage our intellectual property portfolio to safeguard our leading technological position.

Supply Chain Management (SCM)

We purchase parts, components, services and materials from third parties, contract manufacturers and service providers all over the world. Therefore, we may be exposed to the risk of delays and interruptions in the supply chain as a consequence of global economic and geopolitical dynamics, extreme events (including pandemics), cyber incidents or suppliers' financial difficulties, particularly if we are unable to establish alternative sources of supply or means of transportation in a timely manner or at all. In addition, we rely upon the supplies of certain raw materials. Worldwide demand, availability and pricing of these raw materials have been volatile recently, and we expect that they will continue to fluctuate in the future. Changes in customer demand and market fluctuations for critical parts and components such as semiconductors might lead to difficulties in meeting our quality requirements while also purchasing in sufficient quantities at competitive market prices. Delays, restrictions, shortages or unavailability of supplies could lead to unanticipated price increases and could constrain our production of affected products which could in turn reduce our profit margins or otherwise adversely affect our performance. If we are not able to offset increased prices for certain materials and components, reduce reliance on them, or find suitable alternatives, this could result in additional costs and affect our customer relationships. Some of the components included in our products are obtained from a limited group of suppliers or from a sole-source supplier. We are also dependent on our own production and distribution sites. If a supplier's operations are disrupted, we lose a critical supplier, or if one of them no longer meets performance or quality specifications, we may be required to obtain and qualify one or more replacement suppliers. Such an event may then also require us to redesign or modify our products to incorporate new parts and/or further require us to obtain clearance, qualification, certification or other applicable regulatory approvals of these products. Events such as these could significantly increase costs for the affected product and cause material delays in delivery of our products, which could have an adverse effect on our financial positions and results of operations. To counter these risks, we work closely with reliable and competent suppliers to ensure consistent supplies and minimize disruptions to our supply chain. When developing new products, we address these risks at an early stage of the product life cycle. Besides that, we conduct supplier health screenings and audits to proactively establish relevant measures. In addition, we retain certain safety stocks and qualify second-source suppliers for essential components. We also manage procurement and pricing through measures such as long-term contracts and hedging as well as bundling of demands across units within our company and the Siemens Group. Moreover, we actively monitor price developments to be able to react early to market changes.

A.6.2.3 Financial risks

Risks from pension obligations

Siemens Healthineers provides post-employment benefits for the majority of its employees, partly resulting in provisions for pensions. An increase of provisions for pensions due to an adverse development of plan assets or the defined benefit obligation is considered a significant risk. The funded status can be affected by changes in actuarial assumptions, primarily the discount rate, as well as by movements in financial markets. In order to comply with local pension regulations in selected foreign countries, we may face increasing cash outflows to reduce an underfunding of our pension plans in these countries. Regular asset liability studies are performed for major pension plans to implement an investment strategy to mitigate liability risks and reduce funded status volatility.

Tax risks

Siemens Healthineers has global operations in a number of countries and is thus subject to multiple national tax regimes. At most Siemens Healthineers entities, the tax authorities in the respective jurisdictions carry out regular tax audits. Tax risks can arise from legal interpretations by tax authorities that diverge from ours, and from changes in legal provisions as well as case law and their implementation, especially in cross-border transactions involving various jurisdictions. This can result in additional tax expenses and additional tax payments, double taxation and the imposition of penalties and interest payments, which would have a negative impact on the company's profit and cash flow. In addition there might be tax increases in certain countries, especially in the U.S., which could negatively affect our financial position and results of operations. Tax-related risks are identified, regularly monitored and assessed by the tax department, and necessary measures are taken.

Liquidity and financing risk

Our treasury and financing activities could face negative developments related to financial markets, such as limited availability of funds and hedging instruments, a change in assessment of our solvency, particularly from rating agencies, impacts arising from more restrictive regulation of the financial sector, central bank policy or financial instruments, termination of financing from Siemens AG or other Siemens Group entities or a deterioration in the financial situation of our main financial partner, Siemens AG. Widening credit spreads due to uncertainty and risk aversion in the financial markets might lead to adverse changes in the fair values of our financial assets and liabilities, particularly our derivative financial instruments.

Market price risks

We are exposed to fluctuations in exchange rates, especially between the U.S. dollar (and other currencies whose movements are positively correlated with the U.S. dollar) and the euro. Depending on our hedging activities, devaluation of the U.S. dollar against the euro may result in material adverse effects on our profit. Other currencies of significance from the viewpoint of foreign currency effects include the Chinese yuan, Japanese yen, Korean won and British pound. A strengthening of the euro could change our competitive position. In addition, increasing exchange rate fluctuations may result in a significant earnings and cash flow volatility risk. We are also exposed to risks resulting from fluctuations in interest rates. In order to optimize the allocation of financial resources across our segments and entities, as well as to achieve our objectives, we identify, analyze and manage the associated financial market risks. We seek to manage and control these risks primarily through our regular operating and financing activities and use derivative financial instruments when deemed appropriate.

For further information related to the financial risks described above, especially derivative financial instruments and hedging activities, financial risk management, provisions for pensions and similar obligations and income taxes, please see → ***Note 25 Financial instruments and hedging activities***, → ***Note 26 Financial risk management***, → ***Note 21 Provisions for pensions and similar obligations*** and → ***Note 5 Income taxes*** in the notes to the consolidated financial statements.

A.6.2.4 Compliance risks

Legal and Regulatory Environment

As a globally operating and diversified medical technology company, we are exposed to various increasingly complex product and country-related regulations, laws and policies that influence our business activities and processes. A failure to comply with current regulations or changed and new regulatory requirements could result in governmental fines and other sanctions, the temporary or permanent shutdown of production facilities, third-party claims, import restrictions and negative publicity. This could lead to unforeseen expenses and adversely impact our financial position as well as our time to market for certain products or product life cycles. Further, our business may be affected by new laws and regulations, in particular by those that may govern innovative products and business activities, including services and solutions, such as the use of Artificial Intelligence. For these new subject areas the regulatory requirements are often not yet defined, or they may undergo future changes whose effects cannot yet be estimated. Regulatory authorities including the Food and Drug Administration (FDA) and the Nuclear Regulatory Commission (NRC) in the United States, the National Medical Product Administration (NMPA) in China and regulations including the Medical Device Regulation (MDR) and In-Vitro Diagnostics Regulation (IVDR) in Europe are especially relevant for the commercialization of our products and services. However, there are numerous other regulatory schemes in practically all jurisdictions worldwide to which we are subject. Risks could also arise from effects of regulations in the area of Environment, Health, and Safety (EHS) including the Restriction of Hazardous Substances (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and other Sustainability Regulations. We need to comply with and safeguard requirements that will ensure product safety. To counter the risks mentioned above, we monitor the political and regulatory landscape in all our key markets to anticipate potential problem areas with the objective of quickly adjusting our business activities and processes to changed conditions. Furthermore, we issue internal regulations and guidance, conduct continuous training and communication as well as synchronized implementation actions. In addition, internal and external audits of compliance with laws and regulations are performed.

Compliance with laws

In connection with our global business activities, we must ensure compliance with antitrust and competition law, anti-corruption legislation, data protection regulations and other laws. We have established compliance and risk management systems to ensure compliance with requirements. Nevertheless, there is no guarantee that these systems will enable us to avoid all risks in every jurisdiction. There are risks, for example, regarding data privacy violations in the processing of personal data of our employees, customers, our customers' patients, or other business partners. Moreover, in our business environment, there are risks regarding antitrust or corruption law violations and other violations of law. Consequences of violations of the law could under certain circumstances also affect us if they relate to violations by our indirect sales channels or business partners. In addition, a significant portion of our business involves governments and companies with public shareholders. We are also involved in various projects funded by government agencies and intergovernmental and supranational organizations. Both may pose risks from a compliance perspective. Furthermore, we may face compliance risks in connection with recently acquired companies that are still in the integration process. All of these risks could result in violations of the law with severe consequences and can have a negative impact on our business, net assets, financial position, and results of operations. They could also result in criminal or administrative fines, claims for damages, the exclusion of direct or indirect participation in certain types of transactions and public tenders, and reputational damage. Consequently, we are constantly countering these risks with targeted measures. The foundation for our governance framework is provided by our globally applicable directives. In addition to measures such as general compliance training, our Antitrust Compliance Program, requirements of our Business Conduct Guidelines and Data Protection Program, Siemens Healthineers has established a global compliance organization. This organization conducts, among other things, audits to identify compliance risks at an early stage. Moreover, by providing whistleblower hotlines and establishing internal and external points of contact, we enable the timely reporting of potential deficiencies or violations to us, authorities or other stakeholders as appropriate. With regard to its business partners, Siemens Healthineers has established a global business partner management system. This includes, among other measures, a careful selection process, a structured onboarding process as well as training, monitoring and a close exchange during our visits to the customer's site as well as regular audits with consistent implementation and monitoring of measures taken. To meet the legal and internal requirements for data protection, we have implemented an information security and data protection management system whose mechanisms meet the high requirements of the ISO 27001 extended by 27701 standards, under which we are certified.

A.6.2.5 Assessment of the overall risk situation

The order in which the risks are presented in each of the four categories above – strategic, operational, financial and compliance risks – reflects the currently estimated exposure. The most significant risks we are currently exposed to are Cybersecurity, Legal and regulatory environment and Risks from pension obligations. Compared to prior year and as already described in the half-year financial report Cybersecurity is the most significant risk. We consider all other risks mentioned above not as high as the three most significant risks. At present, no risks have been identified that either individually or in combination could endanger our ability to continue as a going concern.

A.6.3 Opportunities

Below we describe our significant opportunities. Unless indicated otherwise, the opportunities described below relate to all of our segments.

Growth fields

Innovation, digital offerings and new business models are core for our company in shaping the future of the healthcare industry. We invest significantly in research and development in order to develop innovative products, solutions and services for our customers, including in the area of digitalization. In doing so, we aim to safeguard our competitiveness at the same time. Our goal is to enable healthcare providers to create added value by expanding precision medicine, transforming care delivery and improving patient experience by leveraging digital technologies. We expect to be able to meet future demands arising from fundamental trends. These trends include demographic change and global population growth as well as the increasing burden of chronic diseases. We continuously strive to grow and expand our business in established markets, open up new markets for existing portfolio elements and strengthen our installed base in order to gain a higher market share and improved profitability. In addition, we aim to further develop our product portfolio and also grow into adjacent fields, especially in high-growth customer segments. This is achieved through various measures, such as targeted product development (for example entry level systems), the expansion of our consulting competencies to strengthen our position as a trusted partner, the assessment of new market entry strategies as well as M&A activities. We also tackle opportunities to contribute the know-how and technology of our company and its employees in adjacent areas for the benefit of patients and healthcare providers and thus generate additional business growth. Moreover, we see the opportunity to generate additional sales volume and profit from new and innovative digital products, services and solutions, including cybersecurity for our customers, preventive maintenance and data analytics. Furthermore, additional business opportunities could also arise from long-term value partnerships with healthcare providers, supporting our customers in setting up centers of excellence and jointly co-creating on solutions. Further business opportunities could also arise from the developments around the COVID-19 pandemic such as systems and test related to the diagnosis and treatment of COVID-19 as well as increased investments in healthcare including technology-enabled healthcare solutions. In addition, the provision of funds by aid organizations such as the World Health Organization (WHO) or the EU and as well as the provision of national funds or subsidies could further increase. This would expand investment and spending in private hospitals, for example in the Middle East and Africa, Asia and Europe. This in turn could generate additional growth in these markets, especially for standard and basic products and services. In our Diagnostics segment, further collaboration with third parties could create opportunities for increased revenue and margins on existing system platforms through creation of an even broader range of assays in addition to our own development assays and a faster availability for our customers.

Efficiency gains

Our comprehensive and structured approach to our internal digital transformation and related investments could potentially support our growth, improve our cost position and increase our attractiveness as employer. The leverage of our digital skills, infrastructure, tools and data could enable us to achieve a significant increase in our economic performance across the entire value chain of the company. Further investments into efficiency measures, and the use of new technologies such as machine learning, digital twins and Artificial Intelligence, could potentially drive additional improvements in our processes and cost structures. Increased harmonization, collaboration and transparency throughout the entire organization could create synergies, lead to a faster decision-making process and reduce redundant efforts. Localizing certain value-chain activities, such as procurement, production, logistics, maintenance and service, for example in emerging markets, could enable us to reduce costs and strengthen our global competitive position, in particular compared to competitors based in countries with more favorable cost structures. In supply chain management and product lifecycle management, opportunities for improvement could arise from further implementing an integrated digital tool landscape. The improvements could also include further efficiency gains from using standardized platform elements across multiple applications. Utilizing these synergies could further increase our flexibility and speed in adjusting our innovative solution portfolio to the needs of the market while optimizing product lifecycle costs and reducing internal complexity.

Assessment of the overall opportunity situation

The order in which they are presented reflects the currently estimated exposure for Siemens Healthineers associated with these opportunities. The described opportunities are not necessarily the only ones we encounter. In addition, our assessment of opportunities is subject to change, as Siemens Healthineers, our markets and technologies are constantly developing. It is also possible that opportunities we foresee today will never materialize.

A.6.4 Significant characteristics of the accounting-related internal control and risk management system

The overarching objective of our accounting-related internal control and risk management system is to ensure that financial reporting is conducted in a proper manner, such that the consolidated financial statements and the combined management report of Siemens Healthineers are prepared in accordance with all relevant regulations.

Our ERM approach is based on the COSO framework "Enterprise Risk Management – Integrating with Strategy and Performance" (2017) and ISO Standard 31000 (2018), and is adapted to Siemens Healthineers' requirements. These frameworks connect the ERM process with the financial reporting process and the internal control system. They consider a company's strategy, the efficiency and effectiveness of its business operations, the reliability of its financial reporting and compliance with relevant laws and regulations to be equally important. Our accounting-related internal control system (control system) is based on the internationally recognized "Internal Control – Integrated Framework" (2013) also developed by COSO. The two systems are complementary.

At the end of each fiscal year, our management performs an evaluation of the effectiveness of the design and operating effectiveness of the implemented control system. We have a standardized procedure under which necessary controls are defined, documented in accordance with uniform standards, and tested regularly for their effectiveness. Nevertheless, there are inherent limitations on the effectiveness of any control system, and no system, including one determined to be effective, can prevent or detect all misstatements. After the acquisition of Varian, we have commenced to integrate the former Varian entities into our accounting-related internal control and risk management system. Further integration efforts for the accounting-related internal control system will continue in fiscal 2022.

Our consolidated financial statements are prepared on the basis of a centrally provided conceptual framework which primarily consists of uniform financial reporting guidelines and a chart of accounts. They are issued centrally by the Siemens Group and complemented by additional Siemens Healthineers guidelines for business-specific financial reporting topics. Siemens Healthineers AG and other entities within Siemens Healthineers are required to prepare financial statements in accordance with the German Commercial Code; the conceptual framework is complemented by mandatory regulations specific to the German Commercial Code. The need for adjustments in the conceptual framework due to regulatory changes is analyzed on an ongoing basis. Accounting departments are informed regularly about current topics and deadlines from an accounting and closing process perspective.

The base data used in preparing our financial statements consists of the closing data reported by Siemens Healthineers AG and its subsidiaries. Governance and monitoring activities relating to accounting activities, are usually bundled on a regional level. In particular cases, such as valuations relating to post-employment benefits, we engage external experts, for example actuaries. The reported closing data is used to prepare the financial statements in the consolidation system. The steps necessary to prepare the financial statements are subject to both manual and automated controls.

Qualification of employees involved in the accounting process is ensured through appropriate selection processes and regular training. As a fundamental principle, based on materiality considerations, the four eyes principle applies and specific procedures must be adhered to for data authorization. Additional control mechanisms include target-performance comparisons and analyses of the composition of and changes in individual line items, both in the closing data submitted by reporting units and in the consolidated financial statements. In line with our information security requirements, accounting-related IT systems include defined access rules protecting them from unauthorized access. An internal certification process is executed on a quarterly basis. Management at different levels of our organization confirms the accuracy of the financial data that has been reported to Siemens Healthineers headquarters and reports on the effectiveness of the related control systems.

Our internal audit function addresses our financial reporting integrity, the effectiveness of the control system and the risk management system, and adherence to our compliance policies. In addition, the Audit Committee is integrated into our control system. In particular, it oversees the accounting, the accounting process and the effectiveness of the internal control system, the risk management system and the internal audit system. Furthermore, we have set up a disclosure committee which is responsible for reviewing certain financial and nonfinancial information prior to publication.

A.7 Siemens Healthineers AG

The annual financial statements of Siemens Healthineers AG were prepared in accordance with the provisions of the German Commercial Code ("Handelsgesetzbuch").

Siemens Healthineers AG is the parent company of Siemens Healthineers, acts as a management holding company, and provides central administration services. Its results are significantly influenced by directly or indirectly owned subsidiaries. As a result, the business development of Siemens Healthineers AG is generally subject to the same risks and opportunities as the Group. Due to the interrelations between Siemens Healthineers AG and its subsidiaries, the outlook of the Company also reflects our expectations for Siemens Healthineers AG. For this reason, the above comments for Siemens Healthineers also apply to Siemens Healthineers AG. In addition, Siemens Healthineers AG is exposed to the risk of impairment of equity investments in subsidiaries. The impairment test for investments in subsidiaries is generally based on a discounted cash flow model. The results of the test are influenced by the development and success of the subsidiaries and their investments. Consequently, adverse effects on subsidiaries or indirect investments may lead to an impairment of the investment in subsidiaries in Siemens Healthineers AG's annual financial statements. Impairments would reduce the net income that can be distributed to owners. As investments in subsidiaries represent nearly 100% of total assets, this risk is of great importance for Siemens Healthineers AG. Income from investments significantly influences the net income of Siemens Healthineers AG.

Fiscal year 2021 was particularly notable for the acquisition of Varian, changes in financing, and the COVID-19 pandemic. For information about Varian and its acquisition, see chapter A.3.1 General Disclosures in the notes to the annual financial statements of Siemens Healthineers AG for the year ended September 30, 2021 and ➔ ***A.1.1 Business description***. The bridge facility agreed in this context in the previous year was not drawn down and was canceled in full as of March 2021. The acquisition was instead financed with seven loans with maturities of up to 20 years in a total amount of US$ 10 billion, which were hedged against changes in the exchange rate using forward foreign exchange transactions and currency swaps. In addition, a loan of €850 million was raised from the Siemens Group. For details please see ➔ ***A.3.3.1 Net assets and capital structure***. Part of the acquisition of Varian was also financed through a capital increase in March 2021. These transactions led to expenses for fees and services from banks and affiliated companies and for advisory services. Varian was not acquired directly by Siemens Healthineers AG but by its subsidiary Siemens Healthineers Holding I GmbH, which received the funds required for the acquisition in the form of additional capital payments from Siemens Healthineers AG. Through a number of transactions to optimize the corporate structure, some of the Varian companies were transferred within the Group. These transactions did not have any impact on net income. In addition, Siemens Healthineers AG assumed a loan of US$ 1,689 billion from Siemens Healthineers Beteiligungen GmbH & Co. KG by way of an assumption of debt with discharging effect with an anticipated waiver of recourse; it also withdrew the associated forward foreign exchange transactions. The COVID-19 pandemic mainly had an indirect impact on Siemens Healthineers AG by affecting the business activities of its direct and indirect subsidiaries. Please refer to ➔ ***A.3.1 Market development*** and ➔ ***A.3.2 Results of operations***.

A dividend payout in the amount of around €954 million is being proposed for fiscal year 2021. This equals a dividend per share of €0.85. The shares from the capital increase implemented in March are entitled to a dividend as from October 1, 2020.

As of September 30, 2021, Siemens Healthineers AG had 51 employees.

A.7.1 Results of operations

(in millions of €)	Fiscal year 2021	2020
Revenue	16	16
Cost of sales	−15	−15
Gross profit	**1**	**1**
General administrative expenses	−123	−27
Other operating income/expenses, net	−27	−27
Financial income/expenses, net	1,952	1,516
Therein: income from investments	2,005	1,535
Income from business activity	**1,803**	**1,463**
Income taxes	−450	−327
Net income	**1,353**	**1,135**
Profit carried forward	516	259
Unappropriated net income	**1,891**	**1,394**

Revenue and cost of sales resulted only from providing management services for affiliates in Germany and abroad.

The €96 million rise in administrative expenses was driven mainly by consulting costs incurred as part of the acquisition and integration of Varian and by higher personnel expenses for variable and share-based compensation. The reasons for the increase in variable compensation is the significant increase in target achievement compared with the previous year. The expense for share-based compensation was significantly influenced by the 47% rise in the price of Siemens Healthineers shares.

The improvement in net financial income by €436 million was primarily attributable to higher income from equity investments. The profit transfer from Siemens Healthcare GmbH increased by €420 million, to €1,879 million. Equity investment income in connection with Siemens Healthineers Beteiligungen GmbH & Co. KG was up €50 million to €126 million. This was offset mainly by a €23 million increase in expenses from fees for the bridge facility and interest expenses of €8 million for the loans to finance the acquisition of Varian including the positive effect from the forward components of the foreign currency derivatives and negative interest of €5 million from investing the cash inflow from the capital increase in September 2020.

Income taxes included only current income taxes from corporation tax and trade tax because the excess of deferred tax assets was not recognized due to the exercise of the option under Section 274 (1) sentence 2 of the German Commercial Code. The fact that income tax expense rose slightly faster than income from business activity was mainly due to a reduction of €28 million in creditable withholding tax from subsidiaries compared to the prior year.

A.7.2 Net assets and financial position

(in millions of €)	Sept 30, 2021	2020
Non-current assets		
Property, plant and equipment	0	0
Financial assets	31,767	19,209
Current assets		
Receivables and other assets	2,182	1,583
Cash and cash equivalents	3	0
Prepaid expenses	**9**	**45**
Active difference resulting from offsetting	**0**	**0**
Total assets	**33,961**	**20,837**
Shareholders' Equity	**18,509**	**15,868**
Provisions		
Pensions and similar commitments	27	22
Other provisions	153	195
Liabilities		
Liabilities to affiliated companies and other liabilities	15,181	4,752
Deferred income	**91**	**–**
Total liabilities and equity	**33,961**	**20,837**

Non-current assets

The increase in financial assets by €12,557 million was primarily attributable to the following transactions:

Siemens Healthineers AG made euro- and US dollar-denominated additional capital payments available to Siemens Healthineers Holding I GmbH for the acquisition of Varian. This increased the investment carrying amount by €13,984 million.

As part of the transaction to optimize its corporate structure following the acquisition of Varian, Siemens Healthineers AG acquired shares in an affiliated company of Siemens Healthineers Holding I GmbH by way of an exchange transaction. In the next step, the Company contributed the shares acquired to Siemens Healthineers Beteiligungen GmbH & Co. KG; this step also fulfilled an obligation to make a contribution of €3,000 million, which has existed since September 2020. For this reason, financial assets declined by €3,000 million.

The assumption of the loan plus the interest liability from Siemens Healthineers Beteiligungen GmbH & Co. KG on the transfer date and the withdrawal of the associated forward foreign exchange transactions led to an increase in the investment carrying amount totalling €1,509 million.

In addition, Siemens Healthineers AG promised Siemens Healthineers Holding I GmbH an additional capital payment of €65 million to fulfill its obligations under the letter of support terminated in fiscal year 2021, which the subsidiary had requested.

Current assets
The increase of €599 million in receivables and other assets resulted primarily from the profit transfer receivable from Siemens Healthcare GmbH, which rose to €1,879 million, €420 million higher than in the prior year. As a result of the withdrawal of the forward foreign exchange transactions from Siemens Healthineers Beteiligungen GmbH & Co. KG, whose counterparty is Siemens AG, and the recognition on a pro-rata basis of the forward component of other forward foreign exchange transactions entered into with Siemens AG, receivables from affiliated companies increased by €135 million. Moreover, receivables from the tax authorities from a value-added tax group increased by €43 million to €118 million.

Prepaid expenses and deferred income
The €35 million decline in prepaid expenses was primarily attributable to the amortization of the prepaid one-time fees of €24 million for the bridge facility as well as the amortization of discounts on loan liabilities assumed in fiscal year 2019. Deferred income arose as a result of the assumption of the loan of US$1,689 million, whose fair value at the transfer date exceeded its settlement amount.

Shareholders' equity
The €2,641 million increase in equity is the result of offsetting developments. Due to the capital increase in March 2021, subscribed capital rose by €53 million and capital reserves by €2,284 million. The dividend distributed for fiscal year 2020 decreased unappropriated net income by €856 million. This negative effect was more than offset by net income for the year, resulting in an increase in unappropriated net income of €497 million overall. The capital reserves under Section 272 (2) number 4 of the German Commercial Code that remained from the prior year were used again in fiscal year 2021 to acquire treasury shares, of which 5,328,965 were held as of September 30, 2021 (September 30, 2020: 898,249). For information about the acquisition of treasury shares pursuant to Section 160 (1) number 2 of the German Stock Corporation Act ("Aktiengesetz"), please see Note 11 Equity in the notes to the annual financial statements of Siemens Healthineers AG for the year ended September 30, 2021. As of September 30, 2021, before allowing for amounts subject to dividend payout restrictions, €135 million of the capital reserves (September 30, 2020: €338 million) were available for distribution. The equity ratio declined from 76% to 55%, mainly because of the significant increase in loan liabilities, which was offset by the capital increase.

Liabilities
Liabilities to affiliated companies and other liabilities almost exclusively included liabilities to affiliated companies.

To finance the acquisition of Varian, Siemens Healthineers AG raised seven loans from the Siemens Group with maturities of up to 20 years in a total amount of US$10 billion and a loan of €850 million with a maturity of September 30, 2022. The loan of US$1 billion, which matures in 2024 and the loan of €850 million have floating interest rates, while the other loans have fixed interest rates of between 0.58% and 3.03%. For the nominal amounts of the loans denominated in foreign currency as well as for the interest payments for the fixed-rate loans denominated in foreign currency the exchange rate risk has been fully hedged.

As a result of the assumption of liabilities described above, loan liabilities increased by US$1,689 million. One of the loans assumed in fiscal year 2019 matured in fiscal year 2021; this led to a reduction in liabilities by US$0.9 billion (€0.8 billion). The nominal amounts of the two remaining U.S. dollar-denominated loans assumed by way of assumption of liabilities and all associated interest payments have been hedged with forward exchange contracts. The contractual interest rates for these fixed-rate loans were 2.2% for the US$0.7 billion loan due in 2023 and 2.5% for the US$1.7 billion loan due in 2027.

Information on currency hedging of all U.S. dollar-denominated loans can be found in Note 21 Derivative financial instruments and hedging activities in the notes to the annual financial statements of Siemens Healthineers AG for the year ended September 30, 2021. For further information about the bridge facility and the loans denominated in U.S. dollars, see → ***A.3.3.1 Net assets and capital structure***.

Liabilities from cash pooling increased by €3,447 million to €3,642 million, because the cash used in investing activities more than offset the cash generated by financing activities and operating activities. Cash pooling liabilities carried an average interest rate of 0.23% in fiscal year 2021. In the months in which cash pooling resulted in an excess of assets over liabilities, average negative interest rates of −0.83% were incurred.

Liabilities to affiliated companies from promised and requested allocations to equity declined by €2,960 million. Other liabilities to affiliated companies, which largely result from a value-added tax group with several subsidiaries, rose by €46 million to €126 million.

In addition to liabilities from cash pooling, liabilities with a remaining maturity of up to one year amounted to €1,097 million.

A.7.3 Cash flows and liquidity

	Fiscal year	
(in millions of €)	2021	2020
Cash flows from:		
Operating activities	952	1,188
Investing activities	−14,009	−1,000
Financing activities	9,613	1,834

The income from investments, including the profit transfer received from Siemens Healthcare GmbH, is presented under operating activities in the table above, because that classification better reflects the activity of Siemens Healthineers AG as a management holding company than would a presentation under investing activities.

The cash generated from operating activities was mainly attributable to the payment of the profit transfer by Siemens Healthcare GmbH for the previous year and the profit transferred during the current year from Siemens Healthineers Beteiligungen GmbH & Co. KG; income tax payments had an offsetting effect. The year-on-year decline was caused primarily by higher income taxes paid. The significant cash outflow from investing activities in fiscal year 2021 resulted mainly from the additional capital payments to Siemens Healthineers Holding I GmbH for the acquisition of Varian. The additional capital payment to Siemens Healthineers Beteiligungen GmbH & Co. KG, which had been resolved and requested in fiscal year 2019, was settled in the previous year. The cash generated by financing activities consisted mainly of loans raised to finance the acquisition of Varian in an amount of €9.2 billion and the net inflows of €2.3 billion from the capital increase, less the year-on-year increase of €58 million in the dividend paid, the repayment of a loan of €0.8 billion, a significant rise in payments to buy back treasury shares, and a sharp rise in interest paid.

The availability of short-term cash to Siemens Healthineers AG is primarily ensured by cash pooling.

For information on special covenants that may result in existing loans being called due prematurely, see → ***A.8 Takeover-relevant information and explanatory report***.

A.7.4 Corporate Governance statement

The corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code ("Handelsgesetzbuch") is an integral part of the combined management report and is presented in → ***C.4 Corporate governance statement***.

A.7.5 Report on relationships with affiliated companies

The Managing Board of Siemens Healthineers AG has submitted to the Supervisory Board the report required by Section 312 of the German Stock Corporation Act for fiscal year 2021 and issued the following concluding declaration:

"We declare that, in the legal transactions and other measures in fiscal year 2021 outlined in the report on relationships with affiliated companies, based on the circumstances which we were aware of at the point in time when the legal transactions were entered into, or the measures were taken or refrained from, the company received adequate consideration in each legal transaction and did not suffer any disadvantage by taking or refraining from taking the measures."

A.8 Takeover-relevant information and explanatory report (pursuant to Sections 289a and 315a German Commercial Code)

A.8.1 Composition of issued capital

As of September 30, 2021, Siemens Healthineers AG's issued capital totaled €1,128,000,000. The issued capital is divided into 1,128,000,000 ordinary registered shares with no-par value ("auf den Namen lautende Stückaktien"), each of which is notionally equal to €1 in value. The shares are fully paid in. All shares confer the same rights and obligations. Details of the shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act, in particular Sections 12, 53a et seq., 118 et seq. and 186.

A.8.2 Restrictions on voting rights or transfer of shares

At the Shareholders' Meeting, each share grants one vote and reflects the shareholder's stake in Siemens Healthineers AG's net income. An exception to this rule applies to treasury shares held by Siemens Healthineers AG, which do not entitle it to any rights pursuant to Section 71b of the German Stock Corporation Act. In accordance with Section 136 of the German Stock Corporation Act, the voting rights of these shares are excluded by law.

Share programs are in place under which certain employees are or will be granted Siemens Healthineers AG shares. These share programs were continued in fiscal year 2021. Such shares are not subject to any block on sale, except as provided under local law.

Furthermore, in connection with Article 19 (11) of Regulation (EU) No. 596/2014 (Market Abuse Regulation) and on the basis of internal requirements, members of the Managing Board and Supervisory Board of Siemens Healthineers AG are subject to certain trading prohibitions with regard to the purchase and sale of Siemens Healthineers AG shares in temporal connection with the publication of quarterly financial results.

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 581,373 shares (as of September 30, 2021) on behalf of members of the Siemens family. These shares are part of the total number of shares held by the family's members. The powers of attorney are based on an agreement between the vSV and, among others, members of the Siemens family. The shares are voted together by vSV, taking into account the suggestions of a family partnership established by the family's members or of one of this partnership's governing bodies.

A.8.3 Legislation and provisions of the articles of association applicable to the appointment and removal of members of the Managing Board and governing the amendment to the articles of association

The appointment and removal of members of the Managing Board is subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act. In accordance with Article 5 (1) of the articles of association, the Managing Board comprises several members. Their exact number is determined by the Supervisory Board. The Managing Board of Siemens Healthineers AG currently comprises the CEO and three other members. Managing Board members may be appointed for a maximum period of five years. They may be reappointed or have their term of office extended for one or more terms of up to a maximum of five years each. Pursuant to Section 119 (1) No. 6 and Section 179 of the German Stock Corporation Act, any amendment to the articles of association is subject to a resolution of the Shareholders' Meeting. The authority to adopt nonsubstantive editorial amendments to the articles of association was transferred to the Supervisory Board under Article 9 (4) of those articles. In addition, by resolutions of the Shareholders' Meeting, the Supervisory Board has been authorized to amend Article 4 of the articles of association accordingly as the authorized capital and contingent capital are utilized, and also after the expiration of the applicable authorization or utilization period in each case.

Resolutions of the Shareholders' Meeting are adopted by a simple majority vote, unless a larger majority is required by law or by the articles of association. In accordance with Section 179 (2) of the German Stock Corporation Act, amendments to the articles of association require a majority of at least three-quarters of the issued capital represented at the Shareholders' Meeting at the time of the vote, unless another capital majority is prescribed by the articles of association.

A.8.4 Powers of the Managing Board to issue and repurchase shares

Based on a resolution of Siemens Healthineers AG's Annual Shareholders' Meeting on February 12, 2021, the Managing Board was authorized, subject to the Supervisory Board's consent, to increase Siemens Healthineers AG's issued capital on one or more occasions until February 11, 2026, by up to €537.5 million by issuing up to 537,500,000 new ordinary registered shares with no-par value in return for cash and/or contributions in kind. As of September 30, 2021, Siemens Healthineers AG has made use of the aforementioned authorization in the amount of €53 million. Consequently, as of September 30, 2021, subject to the Supervisory Board's consent, the Managing Board was authorized to increase Siemens Healthineers AG's issued capital by up to €484.5 million on one or more occasions until February 11, 2026, by issuing up to 484,500,000 new ordinary registered shares with no-par value in return for cash and/or contributions in kind (Authorized Capital 2021).

On February 12, 2021, Siemens Healthineers AG's Annual Shareholders' Meeting resolved to create contingent capital. Siemens Healthineers AG's issued capital was conditionally increased by up to €107.5 million by issuance of up to 107,500,000 new ordinary registered shares with no-par value (Contingent Capital 2021). A capital increase utilizing Contingent Capital 2021 may be implemented only to grant shares in cases where, by February 11, 2026, holders and/or creditors of convertible bonds or of option warrants from option bonds issued by Siemens Healthineers AG or an affiliate exercise their conversion/option rights, or perform their conversion/option obligations, or if shares are delivered, and only if other forms of performance are not used.

The Managing Board is authorized to issue bearer or registered bonds in an aggregate principal amount of up to €6.0 billion with conversion or option rights attached, or a combination of these instruments, entitling the holders/creditors to subscribe for up to 107,500,000 new ordinary registered shares with no-par value of Siemens Healthineers AG. As of September 30, 2021, Siemens Healthineers AG had not made use of its option to issue bonds under this authorization.

The new shares under the Authorized Capital 2021 and the bonds under the aforementioned authorization are to be issued in return for contributions in cash and/or in kind. They are normally to be offered to shareholders for subscription. Subject to the approval of the Supervisory Board, the Managing Board is authorized to exclude shareholders' preemptive rights in the event of contributions in kind. In the event of capital increases in return for contributions in cash, the Managing Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' preemptive rights in the following cases:

- The exclusion is required in order to grant new shares to members of the Managing Board of Siemens Healthineers AG, members of the representative body of an affiliate of Siemens Healthineers AG or employees of Siemens Healthineers AG and its affiliates under share-based payment programs or other share-based programs. To the extent permitted by law, the new shares may also be issued in such a manner that the contribution to be paid on such shares is covered by that part of the annual net income which the Managing Board and the Supervisory Board could allocate to other retained earnings under Section 58 (2) of the German Stock Corporation Act. To the extent that members of the Managing Board of Siemens Healthineers AG are to be granted shares, the decision to do so lies with the Supervisory Board of Siemens Healthineers AG.
- The exclusion is necessary for fractional amounts resulting from the subscription ratio.
- The exclusion is required in order to compensate holders of conversion or option bonds for the effects of dilution.
- The issue price of the new shares/bonds is not significantly lower than the stock market price of Siemens Healthineers AG shares already listed or the theoretical market price of the bonds computed in accordance with generally accepted actuarial methods (exclusion of preemptive rights limited to 10% of the issued capital in accordance with or under corresponding application of Section 186 (3) sentence 4 of the German Stock Corporation Act).

With the approval of the Supervisory Board, the Managing Board of Siemens Healthineers AG resolved on March 24, 2021, to increase the issued capital of Siemens Healthineers AG by €53,000,000 (from €1,075,000,000 to €1,128,000,000) through partial utilization of Siemens Healthineers AG's Authorized Capital 2021 and to exclude shareholders' preemptive rights. The 53,000,000 new ordinary registered shares with no-par value were placed with institutional investors in an accelerated bookbuilding offering and have been entitled to dividends since October 1, 2020. This capital increase took effect upon entry in the Commercial Register on March 25, 2021.

Siemens Healthineers AG cannot repurchase its own shares unless authorized to do so by a resolution of the Shareholders' Meeting or under the limited circumstances explicitly set forth in the German Stock Corporation Act. On February 12, 2021, the Annual Shareholders' Meeting resolved to rescind the authorization of February 19, 2018, for the repurchase and use of treasury shares and to re-authorize the Managing Board to repurchase Siemens Healthineers AG shares until February 11, 2026, for any permissible purpose, up to a limit of 10% of its issued capital as of the date of the resolution or as of the date on which the authorization is exercised, if the latter value is lower. The aggregate of Siemens Healthineers AG shares repurchased under this authorization and any other of Siemens Healthineers AG shares previously acquired and still held in treasury by it or attributable to it pursuant to Sections 71d and 71e of the German Stock Corporation Act may at no time exceed 10% of the issued capital then in existence. Any repurchase of Siemens Healthineers AG shares is to be accomplished at the discretion of the Managing

Board, either by acquisition in the stock market or through a public share repurchase offer.

In addition to selling them on the stock exchange or through a public sales offer to all shareholders, the Managing Board was also authorized by resolution of the Annual Shareholders' Meeting on February 12, 2021, to use the Siemens Healthineers AG shares repurchased on the basis of this authorization for any permissible purpose. In particular, these shares may be

- cancelled without an additional resolution by the Shareholders' Meeting being required for such cancellation or its implementation,
- used in connection with share-based payment programs and/or employee share programs of Siemens Healthineers AG or any of its affiliates and issued to individuals currently or formerly employed by Siemens Healthineers AG or any of its affiliates, as well as to board members of any of Siemens Healthineers AG's affiliates,
- offered and transferred, subject to the approval of the Supervisory Board, to third parties in return for contributions in kind, especially in connection with business combinations or for the direct or indirect acquisition of companies, businesses, parts of companies, investments or other assets or claims to the acquisition of assets, including claims against Siemens Healthineers AG or its affiliates,
- sold, subject to the approval of the Supervisory Board, in return for payment in cash if the price at which a Siemens Healthineers AG share is sold is not significantly lower than the market price of Siemens Healthineers AG shares (exclusion of preemptive rights limited to 10% of the issued capital under a mutatis mutandis application of Section 186 (3) sentence 4 of the German Stock Corporation Act) or
- used to service or secure obligations or rights to acquire Siemens Healthineers AG shares arising particularly from and in connection with convertible bonds/warrant bonds issued by Siemens Healthineers AG or any of its affiliates (exclusion of preemptive rights limited to 10% of the issued capital under a mutatis mutandis application of Section 186 (3) sentence 4 of the German Stock Corporation Act).

Furthermore, the Supervisory Board is authorized to use shares acquired on the basis of this authorization to meet obligations or rights to acquire Siemens Healthineers AG shares that were or will be agreed upon with members of the Managing Board under the rules governing Managing Board compensation.

Utilizing the authorization granted by the Annual Shareholders' Meeting on February 12, 2021, the Managing Board of Siemens Healthineers AG approved, in June 2021, a share buyback lasting until January 28, 2022, with a volume of up to €170 million and a maximum of 6,000,000 ordinary shares. The buyback commenced on June 28, 2021. Under this share buyback, Siemens Healthineers AG had repurchased 1,914,810 of its own shares for a total consideration of €105 million (excluding incidental transaction charges) by the end of the fiscal year on September 30, 2021.

Four share buybacks were carried out on the basis of the authorization granted by the extraordinary Shareholders' Meeting on February 19, 2018. In September 2020, the Managing Board of Siemens Healthineers AG approved a share buyback lasting until February 5, 2021, with a volume of up to €160 million and a maximum of 6,400,000 ordinary shares. The buyback commenced on October 7, 2020. Under this share buyback, which ended on February 5, 2021, Siemens Healthineers AG repurchased 4,067,889 of its own shares. The total consideration paid for these shares amounted to €159 million (excluding incidental transaction charges).

The primary purpose of the buybacks is the issuance of shares to Siemens Healthineers employees and certain board members of the Siemens Healthineers Group, particularly under share programs. To the extent that the repurchased shares are not required for that purpose, they may be used for other purposes permitted by law. In each case, the shares were repurchased via the stock exchange. As of September 30, 2021, Siemens Healthineers AG held 5,328,965 treasury shares.

A.8.5 Significant agreements which take effect, alter or terminate upon a change of control of Siemens Healthineers AG following a takeover bid

Various agreements between the Siemens Group and Siemens Healthineers are in place. The majority of these agreements contain change-of-control provisions.

Treasury and financing agreements

With regard to treasury and financing, these agreements particularly include the following:

In 2016, a U.S. subsidiary of Siemens Healthineers AG, as borrower, entered into a bilateral framework loan agreement in the amount of US$ 6.0 billion, with a subsidiary of Siemens AG, as lender. Three individual loan agreements totaling US$ 3.4 billion have been drawn upon under this framework. After assumption of the relevant liabilities, Siemens Healthineers AG owes the repayments under these three loan agreements. Each agreement provides the lender with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. Furthermore, Siemens Healthcare GmbH, as borrower, maintains a multicurrency revolving credit facility with Siemens AG, as lender, in the amount of €1.1 billion to serve as working capital and as a short-term loan facility, as well as a multicurrency revolving loan facility in the amount of €1.0 billion which provides funding for backup purposes. The agreement covering the aforementioned two facilities provides Siemens AG with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. A loan agreement exists between Siemens AG, as lender, and Siemens Healthcare GmbH, as borrower, to finance the acquisition of Corindus Vascular Robotics, Inc., which took place in fiscal year 2020. Under this agreement, an amount of €700 million falls due for repayment on September 30, 2022. The loan agreement provides the lender with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. Under seven loan agreements in connection with the acquisition of Varian Medical Systems, Inc., Siemens Finance B.V., as lender, granted Siemens Healthineers AG, as borrower, loans totaling US$ 10 billion with differing maturities (the longest being March 2041) in fiscal year 2021 to finance the purchase price as well as other costs and expenses. Under a further loan agreement for the same purpose, Siemens Finance B.V., as lender, granted Siemens Healthineers AG, as borrower, a loan of €850 million, maturing on September 30, 2022. The loan agreements provide the lender with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights.

Framework agreements based on the International Swaps and Derivatives Association Inc. (ISDA) documentation (master hedging agreements) entered into between Siemens Healthineers AG or numerous subsidiaries of Siemens Healthineers AG on the one hand and Siemens AG or one of its U.S. subsidiaries on the other hand grant Siemens AG and its subsidiary a right of termination if Siemens AG either ceases to (directly or indirectly) hold the majority of the shares or voting rights in the relevant counterparty and/or if the relevant counterparty ceases to be a fully consolidated subsidiary of Siemens AG. Such agreements also grant a right of termination if Siemens Healthineers AG or its relevant subsidiary, as the counterparty, is consolidated by, merges into or transfers substantially all of its assets to a third party. However, the latter right of termination applies only if the resulting company's creditworthiness is materially weaker than the relevant counterparty's creditworthiness immediately prior to such an event or the resulting company does not simultaneously assume the relevant counterparty's obligations under the master hedging agreements.

Siemens Healthcare GmbH and Siemens AG have an agreement under which Siemens AG provides certain cash management services to Siemens Healthcare GmbH, and, via Siemens Healthcare GmbH, also to Siemens Healthineers. Among such services are the provision of payment infrastructure, including the use of the Siemens Group's bank accounts for incoming and outgoing external payment transactions, provision of internal accounts with credit lines (the latter only under separate agreements), participation in the Siemens Group's cash pools, and settlement of intra-group transactions between the Siemens Group on the one hand and Siemens Healthineers on the other hand. The agreement may be terminated by Siemens AG in the event that Siemens AG ceases to control Siemens Healthineers AG, where control is defined as the majority ownership of shares and/or voting rights. Furthermore, Siemens Healthcare GmbH has an agreement with a subsidiary of Siemens AG under which Siemens Healthineers may use a central treasury IT application for its finance management. The agreement may be terminated by the subsidiary of Siemens AG in the event of an actual or imminent loss of control by Siemens AG over Siemens Healthcare GmbH, where control is defined as the direct or indirect majority ownership of shares and/or voting rights.

Further agreements

Siemens Healthineers AG or some of its subsidiaries also have various service agreements, some of which are long-term, with companies of the Siemens Group. Services covered by such agreements include, but are not limited to, IT, human resources, procurement, consultation and business support services, accounting, and tax-related services. In the event of any change of control in Siemens Healthineers AG or a subsidiary that is a service recipient – i.e., in the event that Siemens AG no longer (directly or indirectly) holds a majority of the voting rights in Siemens Healthineers AG or the subsidiary, or loses the right to appoint the majority of the members of the Managing Board or to exercise comparable control rights – the service provider may terminate the relevant agreement so far as the provided services are affected, for example if rendering such services has become impossible for legal, technical or organizational reasons.

Several lease and rental agreements and real estate-related service agreements exist between Siemens Healthineers as the lessee and the Siemens Group as the lessor. In the event that Siemens AG no longer (directly or indirectly) holds a majority of the voting rights in Siemens Healthineers AG, or loses the right to appoint the majority of the members of the Managing Board or to exercise comparable control rights, several legal consequences may occur, including the obligation to vacate premises, termination of lease, or a physical separation in cases where premises are shared between entities of the Siemens Group and entities of Siemens Healthineers.

Siemens AG has entered into trademark and name-use licensing agreements with Siemens Healthineers AG and some of its subsidiaries. Under such agreements, Siemens AG grants the licensee the right to use, in particular, the designations "Siemens" and "Siemens Healthineers" as a product brand, corporate brand and part of the company name, business designation and domain name, among other purposes. The agreements will automatically expire after a transitional period if Siemens Healthineers AG ceases to be a company over which Siemens AG has direct or indirect management power by contract or otherwise, or through ownership of voting rights entitling Siemens AG to (directly or indirectly) appoint the majority of the members of the managing body.

A.8.6 Other takeover-relevant information

We are not aware, nor were we notified during the last fiscal year, of any shareholder holding (directly or indirectly) interests in Siemens Healthineers AG's issued capital that entitle it to 10% or more of the voting rights, except for Siemens AG, headquartered in Berlin and Munich, Germany, which directly and indirectly held 850,000,000 shares (equaling 75.4% of all shares), carrying 850,000,000 voting rights. There are no shares with special rights conferring powers of control. Shares granted by Siemens Healthineers AG or its subsidiaries to employees under their employee share programs and/or as share-based compensation are transferred directly to the employees. The beneficiary employees may directly exercise their shareholder rights resulting from the shares in the same way as any other shareholder, in accordance with applicable laws and the articles of association.

B.

Consolidated financial statements

B.1 Consolidated statements of income

(in millions of €, earnings per share in €)	Note	Fiscal year 2021	2020
Revenue	29, 30	17,997	14,460
Cost of sales		−11,045	−8,880
Gross profit		**6,952**	**5,580**
Research and development expenses		−1,546	−1,342
Selling and general administrative expenses		−2,817	−2,279
Other operating income	4	19	47
Other operating expenses		−40	−28
Income from investments accounted for using the equity method, net		5	3
Earnings before interest and taxes		**2,573**	**1,982**
Interest income	5	33	53
Interest expenses	16, 21, 25	−83	−76
Other financial income, net	16, 25	−120	−5
Income before income taxes		**2,404**	**1,954**
Income tax expenses	5	−658	−532
Net income		**1,746**	**1,423**
Thereof attributable to:			
Non-controlling interests		18	12
Shareholders of Siemens Healthineers AG		1,727	1,411
Basic earnings per share	**6**	**1.57**	**1.41**
Diluted earnings per share	**6**	**1.57**	**1.40**

B.2 Consolidated statements of comprehensive income

		Fiscal year	
(in millions of €)	Note	2021	2020
Net income		**1,746**	1,423
Remeasurements of defined benefit plans	21	154	–5
Therein: Income tax effects		–37	3
Equity instruments measured at fair value through other comprehensive income	25	4	–
Therein: Income tax effects		–1	–
Other comprehensive income that will not be reclassified to profit or loss		**158**	**–5**
Currency translation differences		724	–768
Cash flow hedges	25	–154	61
Therein: Income tax effects		17	–22
Cost/Income from hedging	25	–28	114
Therein: Income tax effects		1	–40
Other comprehensive income that may be reclassified subsequently to profit or loss		**542**	**–593**
Other comprehensive income, net of taxes		**700**	**–598**
Comprehensive income		**2,446**	825
Thereof attributable to:			
Non-controlling interests		23	11
Shareholders of Siemens Healthineers AG		2,423	814

B.3 Consolidated statements of financial position

(in millions of €)	Note	Sept 30, 2021	Sept 30, 2020
Cash and cash equivalents	25	1,322	656
Trade and other receivables	7, 25	3,740	2,568
Other current financial assets	8, 25	169	142
Current receivables from the Siemens Group	16, 25, 31	711	3,392
Contract assets	9	1,159	818
Inventories	10	3,179	2,304
Current income tax assets	5	56	49
Other current assets	11	489	338
Total current assets		**10,824**	**10,268**
Goodwill	12	17,512	9,038
Other intangible assets	13	8,211	1,912
Property, plant and equipment	13	3,712	2,774
Investments accounted for using the equity method		33	37
Other financial assets	14, 25	928	352
Deferred tax assets	5	481	419
Other assets	15	460	295
Total non-current assets		**31,338**	**14,827**
Total assets		**42,162**	**25,094**
Short-term financial debt and current maturities of long-term financial debt	16, 25	225	167
Trade payables	25	1,921	1,356
Other current financial liabilities	25	263	93
Current liabilities to the Siemens Group	16, 25, 31	1,932	2,046
Contract liabilities	18	2,883	1,784
Current provisions	19	356	270
Current income tax liabilities	5	468	374
Other current liabilities	20	2,016	1,198
Total current liabilities		**10,065**	**7,289**
Long-term financial debt	16, 25	457	314
Provisions for pensions and similar obligations	21	908	1,029
Deferred tax liabilities	5	2,082	470
Provisions	19	150	144
Other financial liabilities	25	19	10
Other liabilities	22	435	345
Liabilities to the Siemens Group	16, 25, 31	11,708	2,982
Total non-current liabilities		**15,758**	**5,294**
Total liabilities		**25,823**	**12,584**
Issued capital		1,128	1,075
Capital reserve		15,818	13,476
Retained earnings		−300	−1,276
Other components of equity		−85	−741
Treasury shares		−240	−36
Total equity attributable to shareholders of Siemens Healthineers AG	**23**	**16,321**	**12,498**
Non-controlling interests		18	13
Total equity		**16,339**	**12,511**
Total liabilities and equity		**42,162**	**25,094**

B.4 Consolidated statements of cash flows

(in millions of €)	Fiscal year 2021	2020
Net income	**1,746**	**1,423**
Adjustments to reconcile net income to cash flows from operating activities:		
Amortization, depreciation and impairments	1,039	815
Income tax expenses	658	532
Interest income/expenses, net	49	23
Income related to investing activities	−2	−10
Other non-cash income/expenses, net	142	117
Change in operating net working capital		
Contract assets	−182	−13
Inventories	−22	−332
Trade and other receivables	−538	68
Receivables from and payables to the Siemens Group from operating activities	2	1
Trade payables	318	−2
Contract liabilities	325	130
Change in other assets and liabilities	451	−40
Additions to equipment leased to others in operating leases	−301	−301
Income taxes paid	−808	−512
Dividends received	4	5
Interest received	52	26
Cash flows from operating activities	**2,933**	**1,928**
Additions to intangible assets and property, plant and equipment	−674	−557
Purchase of investments and financial assets for investment purposes	−12	−6
Acquisitions of businesses, net of cash acquired	−13,467	−1,354
Disposal of investments, intangible assets and property, plant and equipment	12	5
Cash flows from investing activities	**−14,140**	**−1,912**
Purchase of treasury shares	−255	−67
Issuance of new shares	2,309	2,709
Re-issuance of treasury shares (and other transactions with owners)	2	–
Repayment of long-term debt (including current maturities of long-term debt)	−138	−121
Change in short-term financial debt and other financing activities	−17	20
Interest paid	−23	−18
Dividends paid to shareholders of Siemens Healthineers AG	−856	−798
Dividends paid to non-controlling interests	−17	−16
Interest paid to the Siemens Group	−127	−105
Other transactions/financing with the Siemens Group	10,961	−1,853
Cash flows from financing activities	**11,839**	**−249**
Effect of changes in exchange rates on cash and cash equivalents	34	−31
Change in cash and cash equivalents	666	−264
Cash and cash equivalents at beginning of period	**656**	**920**
Cash and cash equivalents at end of period	**1,322**	**656**

B.5 Consolidated statements of changes in equity

				Other components of equity							
(in millions of €)	Issued capital	Capital reserve	Retained earnings	Currency translation differences	Reserve of equity instruments measured at fair value through other comprehensive income	Cash flow hedges reserve	Cost of hedging reserve	Treasury shares at cost	Total equity attributable to shareholders of Siemens Healthineers AG	Non-controlling interests	Total equity
Balance as of October 1, 2019	1,000	10,801	−1,859	−95	−33	−24	3	−24	9,769	13	**9,782**
Net income	–	–	1,411	–	–	–	–	–	1,411	12	1,423
Other comprehensive income, net of taxes	–	–	−5	−767	–	61	114	–	−597	−1	−598
Dividends	–	–	−798	–	–	–	–	–	−798	−16	−814
Share-based payment	–	45	–	–	–	–	–	–	45	–	45
Purchase of treasury shares	–	–	–	–	–	–	–	−64	−64	–	−64
Reissuance of treasury shares	–	2	−1	–	–	–	–	52	52	–	52
Issuance of new shares	75	2,629	–	–	–	–	–	–	2,704	–	2,704
Other changes in equity	–	–	−24	–	–	–	–	–	−24	5	−19
Balance as of September 30, 2020	1,075	13,476	−1,276	−862	−33	37	117	−36	12,498	13	**12,511**
Balance as of October 1, 2020	1,075	13,476	−1,276	−862	−33	37	117	−36	12,498	13	**12,511**
Net income	–	–	1,727	–	–	–	–	–	1,727	18	1,746
Other comprehensive income, net of taxes	–	–	154	720	4	−154	−28	–	696	4	700
Dividends	–	–	−856	–	–	–	–	–	−856	−17	−874
Share-based payment	–	60	–	–	–	–	–	–	60	–	60
Purchase of treasury shares	–	–	–	–	–	–	–	−266	−266	–	−266
Reissuance of treasury shares	–	7	–	–	–	–	–	62	68	–	68
Issuance of new shares	53	2,275	–	–	–	–	–	–	2,328	–	2,328
Other changes in equity	–	–	−48	–	–	114	–	–	66	–	66
Balance as of September 30, 2021	1,128	15,818	−300	−142	−29	−3	89	−240	16,321	18	**16,339**

B.6 Notes to consolidated financial statements

Note 1 Basis of presentation

The consolidated financial statements as of September 30, 2021, present the operations of Siemens Healthineers AG, registered in Munich, Germany (Munich Local Court, commercial register number HRB 237558, Germany), and its subsidiaries (hereinafter, collectively, "Group" or "Siemens Healthineers"). Siemens Healthineers is a global provider of healthcare solutions and services, with activities in numerous countries around the world. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), as well as with the additional requirements set forth in Section 315e (1) of the German Commercial Code ("Handelsgesetzbuch"). The consolidated financial statements are in accordance with IFRS as issued by the International Accounting Standards Board (IASB). On November 23, 2021, the Managing Board of Siemens Healthineers AG authorized the consolidated financial statements for issue.

Siemens Healthineers AG itself prepares consolidated financial statements for the smallest group of consolidated companies to which it belongs. Pursuant to Section 290 (1) of the German Commercial Code, it is also included in the consolidated financial statements of its parent company, Siemens AG (registered offices in Munich and Berlin, Munich Local Court HRB 6684 and Berlin Charlottenburg Local Court HRB 12300, Germany), as the largest group of consolidated companies.

Siemens Healthineers prepared and published the consolidated financial statements in euros (€). Due to rounding, numbers may not add up precisely to the totals provided.

Note 2 Accounting policies

The below-mentioned accounting policies, unless stated otherwise, have been applied consistently for all presented periods.

Accounting estimates and judgments

In certain cases, accounting estimates and judgments are necessary. These involve complex and subjective assessments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Accounting estimates and judgments could change from period to period and could have a material impact on net assets, financial position and results of operations. In addition, Siemens Healthineers could reasonably have made accounting estimates differently in the same accounting period. Siemens Healthineers cautions that future events often vary from forecasts and that estimates routinely require adjustments. Estimates and assumptions are reviewed on an ongoing basis. Changes in estimates and assumptions are recognized in the period in which the changes occur and in future periods impacted by the changes.

The COVID-19 pandemic and associated significant uncertainties have been considered, where relevant, in accounting estimates and judgments. In fiscal year 2021, the COVID-19 pandemic did not lead to material adjustments to the carrying amounts of recognized assets and liabilities. For further information on impacts from the COVID-19 pandemic, see disclosures in the respective notes to the consolidated financial statements and in the group management report.

Basis of consolidation

The consolidated financial statements include the accounts of Siemens Healthineers AG and the subsidiaries over which control is exercised. Siemens Healthineers AG controls an investee if it has direct or indirect power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

Business combinations

The costs of an acquisition are measured at the fair value of the assets given and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities assumed (including contingent liabilities) in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. Non-controlling interests are measured at the proportional fair value of assets acquired and liabilities assumed (partial goodwill method). The accounting for business combinations requires significant accounting estimates and judgments, for example when estimating the fair values of identifiable assets acquired and liabilities assumed, in assessing whether an intangible asset is identifiable and should therefore be recognized separately from goodwill, and in estimating the expected useful lives.

The non-controlling interests participate in comprehensive income. Transactions resulting in changes in the proportion of equity held by non-controlling interests that do not result in the loss of control by the Group are accounted for as equity transactions not affecting profit or loss. At the date control is lost, the entity concerned is deconsolidated and any remaining equity interests of the Group are remeasured to fair value through profit or loss.

As a writer of a put option on non-controlling interests, Siemens Healthineers assesses whether the prerequisites for the transfer of present ownership interests are fulfilled at the balance sheet date. If Siemens Healthineers is not the beneficial owner of the shares underlying the put option, the exercise of the put option will be assumed at each balance sheet date and treated as a transaction between shareholders with the corresponding recognition of a purchase liability at the respective exercise price. The non-controlling interests participate in profits and losses during the reporting period.

Foreign currency translation

Assets and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using the spot exchange rate at the end of the reporting period, while income and expenses are translated using monthly average exchange rates. Differences arising from such translations are recognized within equity and reclassified to profit or loss when the gain or loss on disposal of the foreign operation is recognized. The items within the consolidated statements of cash flows are translated at monthly average exchange rates, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

Foreign currency transactions

Transactions in a currency other than the functional currency of an entity are recorded, on initial recognition, in that functional currency, by applying the spot exchange rate at the date of the transaction. At the end of each reporting period, foreign currency-denominated monetary items are translated applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognized in profit or loss. Foreign currency-denominated non-monetary items are subsequently translated using the historical spot exchange rate.

Revenue recognition

Siemens Healthineers recognizes revenue when, or as, control over distinct goods or services is transferred to the customer. This requires, among others, that a contract with enforceable rights and obligations exists, the customer is committed to its contractual obligations, and collectability of consideration is probable, taking the customer's creditworthiness into account. Revenue is the transaction price Siemens Healthineers expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that no significant reversal of revenue will occur once associated uncertainties are resolved. Accounting estimates are involved in determining the amount of variable consideration, which is calculated by using either the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit to either the customer or Siemens Healthineers. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not directly observable, Siemens Healthineers reasonably estimates them, primarily by using historical reference values. Revenue is recognized for each performance obligation either at a point in time or over time.

Revenue from the sale of goods: Revenue is recognized at a point in time when control of the goods (especially equipment, reagents and consumables) passes to the customer, usually upon delivery of the goods. Payment terms typically do not exceed 90 days after customer acceptance.

Revenue from services: Revenue is recognized over time on a straight-line basis or, if the performance pattern is other than straight-line, as services are provided. Service contracts can also include extended warranties, which cover periods beyond the statutory or customary warranty period and for which revenue is recognized straight-line over the extended warranty period. Customer payments are typically received on a monthly or quarterly basis over the contract term.

Revenue from construction-type contracts: Revenue is recognized over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognized as an expense immediately. Within contracts, customer payments are agreed on the basis of quantified performance indicators or the achievement of specific events or milestones, usually due no later than 90 days after invoicing. The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required to fulfill the contractually defined obligations. Estimates include total estimated costs, total estimated revenues, and contract risks including technical, political and regulatory risks. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease of revenue for the period. In addition, it is necessary to assess whether the most likely scenario for a contract is its continuation or its termination. For this assessment, all relevant facts and circumstances relating to the contract are considered on an individual basis.

Contract assets, contract liabilities, receivables: When either party to a contract with a customer has performed its contractual obligations, Siemens Healthineers presents a contract asset or a contract liability depending on the relationship between Siemens Healthineers' performance and the customer's payment. Contract assets primarily relate to the sale of goods for which transfer of control to the customer occurs before

Siemens Healthineers has an unconditional right to consideration. Contract liabilities result mainly from customer advances on services and from prepayments for goods not yet shipped. Contract assets and contract liabilities are presented net at the contract level and as current because they arise in the course of the regular operating cycle. Receivables are recognized when the right to consideration becomes unconditional. Valuation allowances for credit risks are set up for contract assets and receivables according to the accounting policy for financial assets measured at amortized cost.

Functional costs

In general, operating expenses by types are assigned to functional areas according to their profit and cost centers. Amortization, depreciation and impairment of intangible assets and property, plant and equipment are included in functional costs depending on the use of the assets.

Research and development expenses

Expenditures on research activities and collaborations are recognized immediately as expenses. Expenditures on development activities are expensed and capitalized only when the recognition criteria in IAS 38, Intangible Assets, are met. To assess the fulfillment of these criteria, assumptions about technical development risks and market developments, among others, must be made. Capitalized development expenses are measured at cost less accumulated amortization and impairment losses, with an amortization period of generally five to 25 years.

Income taxes

Recognition and measurement of tax positions are determined by respective local tax laws and applicable tax authorities' regulations. These can be complex and may be interpreted differently by taxpayers and local tax authorities. Thus, subsequent current tax payments or refunds for prior years are possible. These uncertainties are taken into account based on management's considerations.

Deferred tax assets and liabilities for temporary differences between the accounting book value and the tax base for assets and liabilities, as well as deferred tax assets for tax loss carryforwards, are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled using the liability method. Deferred tax assets are recognized if sufficient taxable profit is projected for the periods in which the underlying temporary difference is reversed. The projection includes, in particular, future results from operating activities, reversals of taxable temporary differences and substantiated tax planning opportunities. At each reporting date, Siemens Healthineers reassesses the recoverability of deferred tax assets based on the projected taxable profit. As future business developments are uncertain and partly beyond Siemens Healthineers' control, assumptions are necessary to estimate future taxable profit as well as the period in which deferred tax assets will be recovered. Estimates are updated on a regular basis and resulting adjustments are made in the respective period. Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same tax authority and there is a legal right to set off current tax assets against liabilities.

Earnings per share

Basic earnings per share are computed by dividing net income attributable to the shareholders of Siemens Healthineers AG by the weighted average number of shares of Siemens Healthineers AG outstanding during fiscal year. Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive share-based payment plans.

Inventories

Inventories are valued at the lower of acquisition or production costs and net realizable value. Acquisition or production costs are generally determined on the basis of an average value or the first-in, first-out method. The determination of the net realizable value includes assumptions with respect to quantity risks, risks of technical obsolescence and price risks.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or the group of cash-generating units that is expected to benefit from the synergies of the business combination and represents the lowest level at which goodwill is monitored for internal management purposes. At Siemens Healthineers, the goodwill impairment test is performed at the level of the segments (please also see → ***Note 29 Segment information***). The allocation of goodwill requires judgment.

Goodwill is tested for impairment annually as well as whenever an indication (triggering event) arises that the carrying amount may not be recoverable. Siemens Healthineers performs the annual impairment test in the quarter ending September 30. For the purpose of impairment testing, the segment's recoverable amount is to be determined as the higher of the segment's fair value less costs of disposal and its value in use. If either of these values exceeds the carrying amount, it is not necessary to determine both values. If the carrying amount of the segment to which the goodwill is allocated exceeds its recoverable amount, an impairment loss on goodwill allocated to this segment is recognized. Impairment losses on goodwill are not reversed in future periods.

The segment's recoverable amount is based on discounted cash flow calculations and involves the use of accounting estimates. The amount is influenced by, for example, the market launch of new goods and services, the successful integration of acquisitions, volatility of capital markets, interest rate developments, exchange rate fluctuations and the outlook on economic trends. At Siemens Healthineers, the recoverable amount is generally determined based on the fair value less costs of disposal. For the purpose of estimating a segment's fair value less costs of disposal, cash flows are projected for the next five years (in exceptional cases up to ten years) based on past experience, actual operating results and management's best estimate about future developments as well as on market assumptions. Cash flows after the detailed planning period are extrapolated using individual growth rates. The determined fair value of a segment is assigned to level 3 of the fair value hierarchy. Key assumptions on which the determinations of fair values less costs of disposal are based include estimated terminal value growth rates and discount rates. Both assumptions are determined individually for each segment. The discount rates correspond to the segment's weighted average cost of capital and are calculated based on a risk-free interest rate and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to each segment by taking into account specific peer group information on beta factors, leverage and cost of debt. The parameters for calculating the discount rates are based on external sources of information. The peer groups undergo an annual review and are adjusted, if necessary. Terminal value growth rates consider external macroeconomic data and industry-specific trends. The accounting estimates, including the methodology applied, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Additionally, the outcome of goodwill impairment tests may depend on the allocation of goodwill to the segments.

Other intangible assets

Siemens Healthineers amortizes purchased intangible assets with finite useful life on a straight-line basis over their respective estimated useful life. The estimated useful life of patents, licenses and similar rights generally ranges from three to five years. In addition, there are intangible assets acquired in business combinations, especially customer relationships, trademarks, technologies, as well as order backlog. For customer relationships and trademarks, the useful life ranges from five to 30 years; for technologies, from seven to 22 years and for order backlog up to 10 years.

Property, plant and equipment

Property, plant and equipment are valued at acquisition or production costs less accumulated depreciation and impairment losses. Depreciation is recognized on a straight-line basis. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery and equipment	generally 10 years
Office and other equipment	generally 5 years
Equipment leased to others	generally 7 to 8 years

Impairment of other intangible assets and property, plant and equipment

Siemens Healthineers reviews other intangible assets and property, plant and equipment for impairment whenever an indication (triggering event) arises that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test. If the recoverable amount of an individual asset cannot be determined, the impairment test is performed at the level of the cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that includes the asset to be tested for impairment and that generates cash inflows, which are largely independent of the cash inflows from other assets or groups of assets. When determining the relevant cash-generating unit, various factors need to be considered, including how management monitors operations or makes decisions about continuing or disposing of assets and operations. Therefore, the identification of the relevant cash-generating unit involves judgment. In addition, impairment testing of other intangible assets and property, plant and equipment involves the use of accounting estimates in determining the assets' or cash-generating units' recoverable amount, which can have a material impact on the respective values and ultimately the amount of any impairment.

Leases

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for an agreed period of time in exchange for consideration. For further information on leases, please refer to → ***Note 7 Trade and other receivables***, → ***Note 13 Other intangible assets and property, plant and equipment***, → ***Note 16 Financial debt***, → ***Note 24 Other financial obligations*** and → ***Note 26 Financial risk management***.

Siemens Healthineers as lessor rents equipment to its customers. If substantially all risks and rewards incidental to the ownership of the rented equipment are transferred to the customer, the lease is classified as a finance lease, otherwise as an operating lease. Under finance leases, revenue is recognized at the time the equipment is made available for use by the customer. At the same time, a receivable from finance leases is recognized at an amount equal to the net investment in the lease. In the following periods, interest income is realized using the effective interest method, reflecting a constant periodic rate of return of the net investment. Under operating leases, the rented equipment is recognized as property, plant and equipment and is depreciated on a straight-line basis over its useful life. Income from operating leases is recognized on a straight-line basis over the lease term.

Siemens Healthineers as lessee applies the right-of-use model, means right-of-use assets and lease liabilities are recognized, which normally correspond to the discounted lease payments at initial measurement. The right-of-use model is not applied for leases with a term of twelve months or less or for low-value assets. In these cases, the lease payments are instead expensed over the lease term. Extension options are included in the lease term if their exercise is reasonably certain. The accounting policy choice for the non-separation of lease components and non-lease components is used, with the exemption for vehicle leases, and all components are accounted for as lease components. Right-of-use assets are measured at acquisition costs less accumulated depreciation and impairment losses, and are depreciated under the straight-line method over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities are measured at the present value of the lease payments payable over the lease term, generally discounted using the incremental borrowing rate. Subsequently, they are measured using the effective interest method. Lease liabilities are remeasured in case of lease modifications (due to renegotiations) or index-changes triggering price-adjustments, and as a result of required reassessments of existing contract conditions. The remeasurement of the lease liabilities leads to a respective adjustment of the right-of-use assets.

Provisions

A provision is recognized if all of the following conditions are met: (1) it is probable that Siemens Healthineers has a present legal or constructive obligation as a result of a past event, (2) it is probable that an outflow of resources with economic benefits will be required to settle the obligation, and (3) a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pretax interest rate that corresponds to the risk-free market interest rate.

Significant accounting estimates are required to determine provisions related to onerous contracts with customers, warranty costs and asset retirement obligations, as well as those related to legal and regulatory proceedings and governmental investigations (hereinafter, collectively, "legal proceedings"). Siemens Healthineers recognizes a provision for onerous contracts with customers when the estimated unavoidable costs of outstanding goods and services exceed the expected outstanding revenue. Legal proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, considerable judgment is required to determine whether it is probable that there is a present obligation event at the end of the reporting period as a result of a past, whether a future outflow of resources is probable and whether the amount of the obligation can be estimated reliably. Internal and external counsels are generally part of the determination process for legal proceedings. Due to new developments, it may be necessary to recognize a provision for an ongoing legal proceeding or to adjust the amount of a previously recognized provision. Upon resolution of a legal proceeding, Siemens Healthineers may incur charges in excess of the provision recognized for the matter concerned. Legal proceedings may have a material effect on net assets, financial position and results of operations.

Defined benefit plans

Siemens Healthineers measures entitlements from defined benefit plans by applying the projected unit credit method. Thereby, the obligation from defined benefit plans reflects an actuarially calculated present value of the future benefit entitlement for services already rendered (defined benefit obligation, DBO). Actuarial valuations rely on key assumptions including discount rates, expected compensation increases and pension progression and mortality rates. Discount rates are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. High-quality corporate bonds have an issuing volume of more than 100 million units (in the respective currency) and an AA rating (or equivalent) by at least one of the three rating agencies Moody's Investors Service, S & P Global Ratings or Fitch Ratings. In such case that yields are not available, discount rates are based on government bond yields. For significant plans, individual spot rates from a full yield curve approach are applied in general. Due to changing market, economic and social conditions, the underlying actuarial assumptions may differ from actual developments.

For funded plans, Siemens Healthineers offsets the fair value of the plan assets with the defined benefit obligation. The net amount is presented, after adjustments for any effects relating to asset ceiling.

Current and past service cost, settlement gains and losses for pensions and similar obligations and administration costs unrelated to the management of plan assets are allocated to functional costs. Thereby, past service cost and settlement gains and losses are recognized immediately in net income. Current service cost and interest income and expenses are determined based on the assumptions used for the calculation of the defined benefit obligation as of the reporting date of the previous fiscal year, and recognized in profit or loss. Net interest is thus calculated by multiplying the discount rate for the respective fiscal year by the net defined benefit asset or liability from defined benefit plans as of the reporting date of the previous fiscal year. As of the reporting date, remeasurements are recognized in other comprehensive income. These comprise actuarial gains and losses as well as the difference between the return on plan assets and the interest income on plan assets, which is included in net interest.

Entitlements resulting from plans based on investment returns of underlying assets are generally measured at the fair value of the underlying assets as of the reporting date. If the performance of the underlying assets is lower than a guaranteed return, the DBO is measured by projecting forward the contributions at the guaranteed fixed return and discounting back to a present value.

Termination benefits

Termination benefits are provided when Siemens Healthineers makes an offer to enable an employee to resign from its employment voluntarily before his or her normal retirement date or decides to terminate the employment. Termination benefits in accordance with IAS 19, Employee Benefits, are recognized as liabilities and expenses when the offer of those benefits can no longer be withdrawn.

Financial instruments

Initially, financial instruments are generally recognized at their fair value. Receivables from finance leases are measured at an amount equal to the net investment in the lease. Regular-way purchases or sales of financial assets are recognized on the trade date. Subsequently, financial instruments are measured according to the category to which they are assigned: financial assets and liabilities measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets and liabilities measured at amortized cost.

Financial assets and liabilities measured at fair value through profit or loss: Debt instruments are measured at fair value through profit or loss if the business model they are held in is neither a hold-to-collect nor a hold-and-sell business model or if their contractual cash flows do not represent solely payments of principal and interest. For some debt instruments, the assessment of the contractual cash flows may involve judgment. Equity instruments are measured at fair value through profit or loss unless the option to measure them at fair value through other comprehensive income was elected. Derivatives are measured at fair value through profit or loss unless they are designated as hedging instruments. Financial liabilities measured at fair value through profit or loss include contingent consideration recognized in a business combination. Siemens Healthineers does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at initial recognition (fair value option).

Financial assets measured at fair value through other comprehensive income: Siemens Healthineers irrevocably elected to present changes in the fair value of its investment in Medical Systems S.p.A. in other comprehensive income to avoid earnings volatility. Accordingly, unrealized gains and losses as well as gains and losses on the subsequent sale of the investment are recognized in other comprehensive income.

Financial assets measured at amortized cost: Loans, receivables and other debt instruments held in a hold-to-collect business model with contractual cash flows that represent solely payments of principal and interest are measured at amortized cost. Interest income is calculated using the effective interest method.

Valuation allowances are set up for expected credit losses, representing a forward-looking estimate of future credit losses and involving significant judgment. Expected credit losses are calculated based on the gross carrying amount of the financial asset less collateral, multiplied by a factor reflecting the probability of default and the loss in the event of default. Probabilities of default and losses in the event of default are derived mainly from rating grades determined by Siemens Financial Services. Valuation allowances for receivables from Siemens Group are measured according to the general three-stage impairment approach. For trade receivables, lease receivables and contract assets, Siemens Healthineers uses the simplified impairment model to measure valuation allowances at an amount equal to the lifetime expected credit losses.

Financial assets are considered defaulted if the obligor is unwilling or unable to pay its credit obligations. A range of internally defined events can trigger a default rating, including the opening of bankruptcy proceedings or a default rating by an external rating agency. Financial assets are written off as uncollectible when it appears unlikely that they will be recovered. Generally, this applies after the statutory limitation period has expired, when bankruptcy proceedings have been closed, or when the receivable is no longer pursued due to its insignificance.

Financial liabilities measured at amortized cost: Siemens Healthineers measures financial liabilities, except for derivatives, contingent consideration recognized in a business combination and written put options on non-controlling interests, at amortized cost using the effective interest method.

Cash and cash equivalents: Cash and cash equivalents are measured at cost. Siemens Healthineers considers all highly liquid investments with a maturity of three months or less from the date of acquisition to be cash equivalents. Short-term deposits and overdraft facilities granted in connection with the cash pooling arrangements with the Siemens Group are not included in cash and cash equivalents. Changes in these items are presented as financing activities in the consolidated statements of cash flows.

Cash flow hedges: The effective portion of changes in the fair value of derivatives designated as hedging instruments in cash flow hedges is recognized in other comprehensive income. Amounts accumulated in the cash flow hedge reserve are reclassified into net income in the same periods in which the hedged item affects net income. If the hedged item is an expected business combination, the effective portion of changes in the fair value of the hedging instrument is considered when determining the transaction price upon closing of the acquisition. Any ineffective portion is recognized immediately in profit or loss. The application of hedge accounting for expected business combinations assumes that the closing of the acquisition is estimated to be highly probable. This assessment may require significant judgment. Should the closing no longer be considered highly probable, hedge accounting must be discontinued prospectively. If the closing is no longer expected to occur, the amount accumulated in the cash flow hedge reserve must be recognized immediately in profit or loss. For certain time-period-related cash flow hedges, Siemens Healthineers designates only the change in the fair value of the spot element of forward exchange contracts as a hedging instrument. Changes in the fair value of the forward element are recognized in other comprehensive income and accumulated separately in a cost of hedging reserve. The value of the forward element at the time of designation is amortized into profit or loss on a straight-line basis over the hedging period.

Share-based payment

Share-based payment awards may be settled in shares of Siemens Healthineers AG or Siemens AG, depending on which shares are the basis, or in cash. Share-based payment awards based on Siemens Healthineers AG shares are classified predominately as equity-settled. Share-based payment awards based on Siemens AG shares are classified as cash-settled to fulfill the specific requirements for share-based payment transactions among group entities, as Siemens Healthineers AG is controlled by Siemens AG.

The fair value of equity instruments for equity-settled plans and of liabilities for cash-settled plans is measured at the grant date and recognized as an expense over the vesting period. For cash-settled plans, the fair value is reassessed each quarter. The fair value is based on the market price of Siemens Healthineers AG shares or Siemens AG shares considering the present value of dividends to which the beneficiaries are not entitled during the vesting period as well as market and non-vesting conditions, if applicable. Therefore, the fair value is based on market parameters, assumptions and estimates. Changes in any of these could necessitate material adjustments to the carrying amount of the liabilities.

Change in presentation

Consolidated statements of financial position: Due to the increase in treasury shares, Siemens Healthineers decided in fiscal year 2021 to add an additional line to the presentation of the consolidated statements of financial position to show treasury shares separately, as this provides more relevant information with regard to the composition of equity. Treasury shares were included so far in the line item other components of equity. The prior-year amounts have been reclassified accordingly for reasons of better comparability, which resulted in a reclassification of €36 million from the line item other components of equity into the line item treasury shares.

Consolidated statements of cash flows: Siemens Healthineers added a new line to the presentation of the consolidated statements of cash flows to show repayments of lease liabilities, which are recognized under the right-of-use model, in the new line item repayment of long-term debt (including current maturities of long-term debt). This provides more relevant information with regard to the cash flow effects of leases, which are recognized under the right-of-use model. Previously, the repayments of lease liabilities were included in the line item change in short-term financial debt and other financing activities. The prior-year amounts have been reclassified accordingly for reasons of better comparability. Therefore, €121 million were reclassified from the line item change in short-term financial debt and other financing activities into the line item repayment of long-term debt (including current maturities of long-term debt).

The above-described change in presentation of the consolidated statements of cash flows did not result in a change of the underlying allocation of cash flows in the cash flows from operating activities, the cash flows from investing activities or the cash flows from financing activities.

Prior-year information

Certain prior-year information has been reclassified to conform to the current presentation.

Recent accounting pronouncements, not yet adopted

The IASB has issued standards and amendments to standards whose application is not yet mandatory and which in part are not endorsed by the EU. Siemens Healthineers currently assumes that the application of these standards and amendments will not have a material impact on the presentation of the consolidated financial statements.

Note 3 Acquisitions

Acquisition of Varian

On April 15, 2021, Siemens Healthineers completed the acquisition of all shares in Varian Medical Systems, Inc. (hereinafter "Varian"). Varian is a world leader in the field of cancer care, with innovative solutions especially in radiation oncology and related digital solutions and applications. Varian thus offers a complement to Siemens Healthineers' leading businesses in medical imaging, laboratory diagnostics and interventional procedures. Since closing of the acquisition, Varian's business constitutes a separate segment within Siemens Healthineers.

The purchase price paid in cash amounted to US$ 16.4 billion (€ 13.9 billion as of the acquisition date). Siemens Healthineers redeemed financial liabilities of Varian amounting to US$ 50.1 million (€41.8 million as of the acquisition date), separately from the transaction. The preliminary purchase price allocation as of the acquisition date resulted in the following assets and liabilities:

(in millions of €)	
Cash and cash equivalents	552
Trade and other receivables	579
Other current financial assets	95
Contract assets	141
Inventories	764
Other current assets	114
Goodwill	8,027
Other intangible assets	6,285
Property, plant and equipment	525
Miscellaneous assets	192
Total assets	**17,273**
Trade payables	231
Other current financial liabilities	80
Contract liabilities	713
Current income tax liabilities	181
Other current liabilities	273
Long-term financial debt	86
Deferred tax liabilities	1,566
Miscellaneous liabilities	284
Total liabilities	**3,413**
Non-controlling interests	6

The majority of the purchase price was allocated to goodwill and intangible assets. These intangible assets mainly relate to technologies for oncology solutions, customer relationships, and the acquired order backlog. Goodwill relates to inseparable intangible assets such as synergy effects and employee know-how. Synergies from the acquisition are mainly expected from broader regional coverage of the sales network, cross-selling opportunities into our existing customer base and from expanded integrated service offerings (e.g. "Oncology-as-a-Service" program) and value partnerships, and joint product innovation. In addition, the merger of the two businesses is expected to generate cost synergies in the administrative field and in procurement activities.

The goodwill was allocated to the Varian and Imaging segments in accordance with the expected synergies from the acquisition. The Imaging segment accounted for €532 million.

The fair value of trade and other receivables amounted to €579 million. This comprised of the gross contractual amount of €603 million, of which €24 million were expected to be uncollectable at the date of acquisition. The fair value of loans receivable and bonds amounted to €20 million. This comprised of the gross contractual amount of €227 million, of which €207 million were assessed as probably uncollectible at the acquisition date (please also see → ***Note 25 Financial instruments and hedging activities***).

The acquired business contributed revenue of €1,241 million and a net loss of €50 million, including earnings effects from the purchase price allocation and integration costs to Siemens Healthineers for the period from the acquisition date to September 30, 2021. Therein, pre-tax earnings effects from the purchase price allocation and integration costs of €380 million are included. If Varian had been included in the consolidated financial statements since October 1, 2020, revenue and net income, including earnings effects from the purchase price allocation and integration costs, would have been €19,332 million and €1,614 million, respectively, in fiscal year 2021.

The purchase price allocation of Varian is still preliminary, in particular, the allocation of intangible assets including goodwill to currency areas is not yet finalized. Adjustments may lead to changes, such as, in intangible assets including goodwill and in deferred tax liabilities.

For information on financing and capital increases corresponding to the acquisition of Varian, refer to → ***Note 16 Financial debt***, → ***Note 23 Equity*** and → ***Note 25 Financial instruments and hedging activities***.

Note 4 Other operating income

In fiscal year 2021, an amount of €11 million (2020: €34 million) was reported in other operating income in the United States in connection with the CARES Act to mitigate the financial impact of the COVID-19 pandemic.

Note 5 Income taxes

Income taxes broke down as follows:

(in millions of €)	Fiscal year 2021	2020
Current tax	745	493
Deferred tax	−87	39
Income tax expenses recognized in the consolidated statements of income	**658**	532
Effective tax rate	27.4 %	27.2 %
Income tax effects recognized in other comprehensive income or directly in equity	−5	59
Total income taxes included in the consolidated statements of comprehensive income or directly recognized in equity	**653**	591

In fiscal year 2021, the current taxes included income of €36 million (2020: expenses of €9 million) for adjustments of taxes from prior fiscal years. The deferred taxes also included income of €36 million (2020: expenses of €45 million) from the origination and reversal of temporary differences. This position was impacted by an income of €71 million (2020: €0) mainly from the subsequent accounting of the Varian purchase price allocation. The effective tax rate was positively influenced by tax rate differences in various countries. This effect was partially compensated by BEAT (Base Erosion and Anti-Abuse Tax) and GILTI (Global Intangible Low-Taxed Income) in the USA.

In fiscal year 2021, the calculation of taxes in Germany was based on a combined tax rate of 29.6 % (2020: 29.2 %), consisting of the corporate tax rate of 15.0 % (2020: 15.0 %), the solidarity surcharge thereon of 5.5 % (2020: 5.5 %) and an average trade tax rate of 13.8 % (2020: 13.4 %). For foreign subsidiaries, taxes were calculated based on local tax law and applicable tax rates in the individual countries.

In fiscal year 2021, income tax expenses differed from the expected income tax expenses based on the combined German tax rate of 29.6 % (2020: 29.2 %) as follows:

(in millions of €)	Fiscal year 2021	2020
Expected income tax expenses	713	571
Nondeductible expenses	106	69
Tax-free income	−46	−46
Taxes for prior years	2	24
Change in realizability of deferred tax assets and tax credits	−14	−5
Change in tax rates	−13	−19
Foreign tax rate differential	−88	−62
Other	−1	–
Total income tax expenses	**658**	532

Deferred tax assets and liabilities (–) related to the following items:

(in millions of €)	Sept 30, 2021	2020
Deferred taxes on temporary differences	−1,897	−243
Thereof:		
Current assets and liabilities	178	206
Intangible assets	−2,329	−757
Provisions for pensions and similar obligations	271	300
Other non-current assets and liabilities	−17	8
Deferred taxes on tax loss carryforwards	244	156
Deferred taxes on tax credits	52	36
Total deferred tax assets and liabilities, net	**−1,601**	−51

Deferred tax assets and liabilities, net, developed as follows:

(in millions of €)	Fiscal year 2021	2020
Balance at beginning of fiscal year	**−51**	87
Changes recognized in the consolidated statements of income	87	−39
Changes recognized in other comprehensive income	−20	−59
Additions from acquisitions directly recognized in equity	−1,566	−49
Other	−51	9
Balance at fiscal year-end	**−1,601**	−51

Deferred tax assets (gross amounts) have not been recognized with respect to the following items:

(in millions of €)	Sept 30, 2021	2020
Deductible temporary differences	118	131
Tax loss carryforwards	782	305
Total items (gross amounts) for which no deferred tax assets have been recognized	**901**	436

€26 million of the tax loss carryforwards not recognized as of September 30, 2021 will expire in the periods up to 2026 (September 30, 2020: €138 million expiring by 2028). As of September 30, 2021, no deferred tax liabilities were recognized for temporary differences in connection with shares in subsidiaries amounting to €4,045 million (September 30, 2020: €3,412 million), as Siemens Healthineers can control their reversal and it is probable that these differences will not dissolve in the foreseeable future. As of September 30, 2021, deferred tax liabilities of €26 million (September 30, 2020: €21 million) were recognized for planned dividend payments.

Uncertainties in the interpretation of a tax regulation in the context of an enacted foreign tax reform in former years may result in future tax payments of a mid double-digit million amount. Due to the low probability of such an occurrence, no current income tax liability was still recognized.

Note 6 Earnings per share

(in millions of €, number of shares in thousands, earnings per share in €)	Fiscal year 2021	Fiscal year 2020
Net income	1,746	1,423
Portion attributable to non-controlling interests	−18	−12
Net income attributable to shareholders of Siemens Healthineers AG	1,727	1,411
Weighted average shares outstanding during fiscal year (basic)	1,099,690	1,001,859
Effect of dilutive share-based payment	3,910	2,211
Weighted average shares outstanding during fiscal year (diluted)	1,103,600	1,004,070
Basic earnings per share	**1.57**	**1.41**
Diluted earnings per share	**1.57**	**1.40**

Note 7 Trade and other receivables

(in millions of €)	Sept 30, 2021	Sept 30, 2020	Oct 1, 2019
Receivables from the sale of goods and services	3,687	2,520	2,744
Receivables from finance leases	53	48	35
Total trade and other receivables	**3,740**	**2,568**	**2,779**

Receivables from finance leases particularly related to the leasing of imaging equipment in the Imaging segment. The corresponding long-term portion is reported in the line item other financial assets and amounted to €212 million as of the reporting date (September 30, 2020: €162 million).

In the following table, the undiscounted future minimum lease payments are reconciled to the net investment in finance leases:

(in millions of €)	Sept 30, 2021	Sept 30, 2020
Future minimum lease payments	319	258
Unearned finance income	−50	−42
Net investment in finance leases	**270**	**215**

The future minimum lease payments to be received were due as follows:

(in millions of €)	Sept 30, 2021	Sept 30, 2020
Within 1 year	62	58
Between 1 and 2 years	55	42
Between 2 and 3 years	47	37
Between 3 and 4 years	44	32
Between 4 and 5 years	36	28
More than 5 years	75	60
Total	**319**	**258**

Note 8 Other current financial assets

(in millions of €)	Sept 30, 2021	Sept 30, 2020
Receivables from employees	61	27
Derivatives	29	84
Other	79	31
Total other current financial assets	**169**	**142**

Note 9 Contract assets

As of the reporting date, contract assets amounted to €1,159 million (September 30, 2020: €818 million; October 1, 2019: €839 million). Thereof, contract assets amounting to €221 million (September 30, 2020: €132 million) had a remaining term of more than twelve months. The change in contract assets in fiscal year 2021 primarily related to the Varian acquisition, leading to an increase of €266 million.

Note 10 Inventories

(in millions of €)	Sept 30, 2021	Sept 30, 2020
Raw materials and supplies	644	566
Work in progress	1,082	609
Finished goods and products held for resale	1,428	1,099
Advances to suppliers	25	31
Total inventories	**3,179**	**2,304**

In fiscal year 2021, cost of sales included inventories recognized as expenses in the amount of €10,927 million (2020: €8,698 million). Write-offs of inventories increased by €90 million (2020: €11 million) compared to the prior year.

Note 11 Other current assets

(in millions of €)	Sept 30, 2021	2020
Miscellaneous tax receivables	328	226
Prepaid expenses	135	85
Other	26	27
Total other current assets	**489**	**338**

As of September 30, 2021, miscellaneous tax receivables mainly consisted of sales tax receivables amounting to €317 million (September 30, 2020: €217 million).

Note 12 Goodwill

(in millions of €)	Fiscal year 2021	2020
Cost		
Balance at beginning of fiscal year	10,285	9,906
Currency translation differences and other	458	−573
Acquisitions and purchase accounting adjustments	8,027	951
Balance at fiscal year-end	18,769	10,285
Accumulated impairment losses		
Balance at beginning of fiscal year	−1,247	−1,316
Currency translation differences	−10	69
Balance at fiscal year-end	−1,257	−1,247
Carrying amount		
Balance at beginning of fiscal year	9,038	8,590
Balance at fiscal year-end	17,512	9,038

Impairment testing of goodwill at the level of the segments resulted in no need for impairment. The allocation of goodwill to the segments as well as the key assumptions for the calculation of the segments' fair value less costs of disposal were as follows:

	Goodwill		Terminal value growth rate		After-tax discount rate	
	Sept 30,		Sept 30,		Sept 30,	
(in millions of €)	2021	2020	2021	2020	2021	2020
Imaging	6,525	5,827	1.7 %	1.7 %	7.5 %	7.0 %
Diagnostics	1,667	1,624	1.7 %	1.7 %	6.5 %	6.5 %
Varian	7,692	–	1.7 %	–	7.8 %	–
Advanced Therapies	1,629	1,587	1.7 %	1.7 %	6.5 %	6.5 %
Total goodwill	**17,512**	**9,038**				

Revenue figures in the five-year detailed planning period for the Imaging, Diagnostics and Advanced Therapies segments included average revenue growth rates (excluding portfolio effects) of 1 % to 7 % (2020: 6 % to 9 %). The steady state of Varian will be achieved at a later date in line with the expected disproportionate growth due to the expected increase in new cancer cases and the planned realization date of synergy effects from the acquisition. Therefore, the Varian segment was based on a ten-year detailed planning period with an average growth rate of revenue (excluding portfolio effects) of 9 %.

Siemens Healthineers performed sensitivity analyses based on a 10 % reduction in after-tax future cash flows, a one percentage-point increase in after-tax discount rates, or a one percentage-point decrease in the terminal value growth rate. These indicated that no goodwill impairment loss would need to be recognized.

Note 13 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount at beginning of fiscal year 2021
Internally generated technology	1,812
Acquired technology including patents, licenses and similar rights	862
Customer relationships and trademarks	2,331
Total other intangible assets	**5,005**
Land and buildings	1,340
Technical machinery and equipment	874
Office and other equipment	1,103
Equipment leased to others	1,866
Advances to suppliers and construction in progress	264
Right-of-use assets for land and buildings	459
Right-of-use assets for other property, plant and equipment	128
Total property, plant and equipment	**6,033**

(in millions of €)	Gross carrying amount at beginning of fiscal year 2020
Internally generated technology	1,655
Acquired technology including patents, licenses and similar rights	567
Customer relationships and trademarks	2,327
Total other intangible assets	**4,549**
Land and buildings	1,220
Technical machinery and equipment	861
Office and other equipment	1,088
Equipment leased to others	1,784
Advances to suppliers and construction in progress	374
Right-of-use assets for land and buildings	368
Right-of-use assets for other property, plant and equipment	94
Total property, plant and equipment	**5,788**

Currency translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Gross carrying amount at end of fiscal year 2021	Accumulated amortization, depreciation and impairments	Carrying amount at end of fiscal year 2021	Amortization, depreciation and impairments in fiscal year 2021
16	–	179	–	–16	1,990	–772	1,218	–126
90	2,493	22	–	–45	3,424	–471	2,952	–110
134	3,792	–	–	–786	5,471	–1,430	4,041	–175
240	**6,285**	**201**	**–**	**–847**	**10,884**	**–2,673**	**8,211**	**–411**
21	180	62	71	–18	1,656	–688	967	–50
16	66	28	57	–11	1,030	–679	351	–61
17	59	132	31	–58	1,283	–912	371	–136
34	14	301	1	–206	2,010	–1,088	922	–207
8	46	260	–159	–2	417	–	417	–
12	145	196	–	–32	780	–204	576	–119
2	16	74	–	–32	188	–80	108	–55
110	**526**	**1,052**	**–**	**–358**	**7,364**	**–3,652**	**3,712**	**–628**

Currency translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Gross carrying amount at end of fiscal year 2020	Accumulated amortization, depreciation and impairments	Carrying amount at end of fiscal year 2020	Amortization, depreciation and impairments in fiscal year 2020
–72	–	245	–1	–15	1,812	–657	1,154	–99
–41	299	37	1	–1	862	–401	461	–53
–135	139	–	–	–	2,331	–2,034	297	–138
–248	**438**	**281**	**–**	**–16**	**5,005**	**–3,093**	**1,912**	**–290**
–51	1	35	137	–3	1,340	–645	694	–40
–38	–	25	35	–10	874	–620	254	–50
–46	2	86	22	–49	1,103	–816	287	–93
–96	–	302	25	–149	1,866	–1,033	832	–185
–16	–	127	–219	–	264	–	264	–
–21	14	110	–	–12	459	–98	361	–105
–5	–	57	–	–18	128	–45	82	–53
–273	**17**	**742**	**–**	**–241**	**6,033**	**–3,259**	**2,774**	**–525**

Siemens Healthineers as lessor

The line item equipment leased to others comprised predominately diagnostic instruments that were leased out under operating leases in the Diagnostics segment.

Future minimum lease payments to be received under operating leases were due as follows:

	Sept 30,	
(in millions of €)	2021	2020
Within 1 year	61	56
Between 1 and 2 years	65	56
Between 2 and 3 years	53	47
Between 3 and 4 years	42	37
Between 4 and 5 years	30	27
More than 5 years	23	27
Total	**275**	250

In fiscal year 2021, income from operating leases in the amount of €248 million (2020: €216 million) was realized. Included therein were variable lease payments in the amount of €126 million (2020: €109 million). Before Siemens Healthineers concludes contracts with the customer for the sale of reagents and consumables by providing a diagnostic instrument, the order volumes forecasted by the customer are analyzed and verified. Based on realistic sales volumes, individual prices for reagents are calculated, including a price offset for the diagnostic instrument. The average term of customer contracts covers the useful life of the diagnostic instruments.

Siemens Healthineers as lessee

The total cash outflows from leases amounted to €213 million in fiscal year 2021 (2020: €190 million).

Note 14 Other financial assets

	Sept 30,	
(in millions of €)	2021	2020
Receivables from finance leases	212	162
Derivatives	493	92
Equity instruments and fund shares	146	75
Other	78	23
Total other financial assets	**928**	352

The increase of the line item derivatives resulted from currency hedging transactions mainly in connection with financing the acquisition of Varian. For further details, please refer to → ***Note 16 Financial debt*** and to → ***Note 25 Financial instruments and hedging activities***.

Note 15 Other assets

	Sept 30,	
(in millions of €)	2021	2020
Deferred compensation assets	338	235
Prepaid expenses	93	46
Other	28	13
Total other assets	**460**	295

Deferred compensation assets related to a deferred compensation plan in the United States. Please refer to → ***Note 22 Other liabilities*** for the corresponding deferred compensation liabilities.

Note 16 Financial debt

	Sept 30,	
(in millions of €)	2021	2020
Short-term financial debt and current maturities of long-term financial debt	225	167
Thereof:		
Loans from banks	73	60
Lease liabilities	152	107
Current liabilities to the Siemens Group from financing activities	1,926	2,040
Therein: Lease liabilities	24	27
Total current financial debt	**2,150**	2,207
Long-term financial debt	457	314
Thereof:		
Loans from banks	19	49
Lease liabilities	438	265
Liabilities to the Siemens Group from financing activities	11,708	2,982
Therein: Lease liabilities	47	59
Total non-current financial debt	**12,164**	3,297
Total financial debt	**14,315**	5,503

As of September 30, 2021, financing arrangements of Siemens Healthineers with Siemens AG consisted of a multicurrency revolving credit facility of up to €1.1 billion (September 30, 2020: €1.1 billion), which serves to finance net working capital and as a short-term loan facility, as well as a multicurrency revolving credit facility of up to €1.0 billion (September 30, 2020: €1.0 billion) as a financing reserve. As of the reporting date, an amount of €311 million (September 30, 2020: €166 million) was drawn from these facilities.

In fiscal year 2020, the Siemens Group provided a bridge facility to finance the purchase price and additional costs in connection with the acquisition of Varian (please also see → ***Note 3 Acquisitions***), which was canceled in full in fiscal year 2021. As of September 30, 2020, this financing commitment amounted to €12.5 billion. The bridge facility was not utilized by Siemens Healthineers. Unused available commitment from the bridge facility was subject to a commitment fee. This fee and other fees were recognized in other financial income and amounted to €28 million in fiscal year 2021 (2020: €5 million).

In fiscal year 2021, the Siemens Group committed itself to provide Siemens Healthineers an additional financing of up to €1.1 billion in connection with the acquisition of Varian. Thereof, €850 million were utilized as a variable interest loan, maturing in fiscal year 2022. The rest of the financing commitment was canceled.

In fiscal year 2021, the Siemens Group provided loans denominated in U.S. dollars with various maturities in connection with the acquisition of Varian. As of September 30, 2021, the loan structure was as follows:

- US$ 1.2 billion maturing in fiscal year 2023 (contractual interest rate: 0.6%),
- US$ 1.5 billion maturing in fiscal year 2024 (contractual interest rate: 0.8%),
- US$ 1.7 billion maturing in fiscal year 2026 (contractual interest rate: 1.4%),
- US$ 1.2 billion maturing in fiscal year 2028 (contractual interest rate: 1.9%),
- US$ 1.7 billion maturing in fiscal year 2031 (contractual interest rate: 2.3%),
- US$ 1.5 billion maturing in fiscal year 2041 (contractual interest rate: 3.0%), and
- US$ 1.0 billion maturing in fiscal year 2024 (variable interest rate).

The resulting foreign currency risks were hedged by forward exchange contracts and by foreign exchange swaps. As a result, the loans with fixed interest rates were effectively converted into synthetic euro-denominated loans and actual interest expenses decreased due to positive forward elements of the forward exchange contracts and foreign exchange swaps. Only the nominal volume of the loan with a variable interest rate was hedged. In total, the actual current volume-weighted average interest rate of the loans amounts to approximately 0.3%.

In addition, there were further loans with the Siemens Group with various maturities and in various currencies. In the overall view across all loans, they were mainly denominated in U.S. dollars. As of September 30, 2021, the structure of further material loans was as follows:

- US$ 0.7 billion maturing in fiscal year 2023 (contractual interest rate: 2.2%),
- US$ 1.7 billion maturing in fiscal year 2027 (contractual interest rate: 2.5%), and
- US$ 1.0 billion maturing in fiscal year 2046 (contractual interest rate: 3.4%).

In addition to the loans listed above, as of September 30, 2020, there was one other loan in the amount of US$ 0.9 billion maturing and repaid in fiscal year 2021 (contractual interest rate: 1.9%). In fiscal year 2019, the loans maturing in fiscal years 2021, 2023 and 2027 were transferred from a U.S. entity to German entities. The resulting foreign currency risks were hedged by forward exchange contracts. As a result, the loans were effectively converted into synthetic euro-denominated loans and actual interest expenses decreased due to positive forward elements of the forward exchange contracts. In total, the actual current volume-weighted average interest rate of the transferred loans decreased to approximately 0.1%.

For further information about the hedging activities, please refer to → ***Note 25 Financial instruments and hedging activities***.

In fiscal year 2020, the Siemens AG provided an additional variable interest loan in connection with the acquisition of Corindus Vascular Robotics, Inc. (hereinafter "Corindus"), amounting to €1.0 billion that was partly repaid in fiscal year 2021. The outstanding part of the loan in the amount of €0.7 billion matures in fiscal year 2022.

In fiscal year 2021, interest expenses from financing arrangements with the Siemens Group amounted to €52 million (2020: €44 million).

The following tables show the sources of changes in total financial debt and total liabilities from financing activities:

(in millions of €)	Balance at beginning of fiscal year 2021	Cash flows from financing activities[1]	Non-cash changes: Acquisitions	Non-cash changes: Effects from changes in foreign exchange rates	Non-cash changes: Fair value changes	Non-cash changes: Other[2]	Balance at end of fiscal year 2021
Loans from banks	109	−19	42	2	–	−42	92
Lease liabilities	458	−165	112	9	–	246	660
Current and non-current liabilities to the Siemens Group from financing activities[3]	4,936	8,310	–	307	–	8	13,562
Total financial debt	**5,503**	**8,127**	**154**	**318**	**–**	**212**	**14,315**
Market value of forwards for hedging of foreign currency liabilities from financing activities	−92	−40	–	–	−410	44	−498
Current receivables from the Siemens Group from financing activities	−3,271	2,719	–	−42	–	–	−594
Total liabilities from financing activities	**2,141**	**10,806**	**154**	**276**	**−410**	**256**	**13,223**

[1] Reported in the following line items of the consolidated statements of cash flows: Repayment of long-term debt (including current maturities of long-term debt), change in short-term financial debt and other financing activities and other transactions/financing with Siemens Group.

[2] Including interest accruals and payments.

[3] Excluding separately disclosed lease liabilities.

(in millions of €)	Balance at beginning of fiscal year 2020[1]	Cash flows from financing activities[2]	Non-cash changes: Acquisitions	Non-cash changes: Effects from changes in foreign exchange rates	Non-cash changes: Fair value changes	Non-cash changes: Other[3]	Balance at end of fiscal year 2020
Loans from banks	109	19	142	−20	–	−142	109
Lease liabilities	470	−152	15	−23	–	148	458
Current and non-current liabilities to the Siemens Group from financing activities[4]	4,390	777	–	−285	–	54	4,936
Total financial debt	**4,969**	**645**	**157**	**−328**	**–**	**60**	**5,503**
Market value of forwards for hedging of foreign currency liabilities from financing activities	−107	–	–	–	14	1	−92
Current receivables from the Siemens Group from financing activities	−683	−2,599	–	11	–	–	−3,271
Total liabilities from financing activities	**4,179**	**−1,954**	**157**	**−317**	**14**	**61**	**2,141**

[1] Including effects from the modified retrospective adoption of IFRS 16, Leases.

[2] Reported in the following line items of the consolidated statements of cash flows: Repayment of long-term debt (including current maturities of long-term debt), change in short-term financial debt and other financing activities and other transactions/financing with Siemens Group.

[3] Including interest accruals and payments.

[4] Excluding separately disclosed lease liabilities.

Note 17 Additional capital management disclosures

Siemens Healthineers generates consistent liquid funds from recurring revenue, supporting a strong cash position. Capital management aims to maintain ready access to international capital markets, and thereby to financing through various debt instruments, as well as to sustain the ability to repay and service financial debt over time. For this purpose, Siemens Healthineers actively manages net debt (including pensions) and the ratio of net debt (including pensions) to EBITDA. This ratio indicates the approximate number of years needed to cover net debt (including pensions) with continuing income, without taking into account interest, taxes, depreciation and amortization. Net debt (including pensions) and the ratio of net debt (including pensions) to EBITDA are managed with a long-term outlook and with the intention that Siemens Healthineers would qualify for at least a stable investment grade rating.

Siemens Healthineers has changed the definition of net debt. Effective with fiscal year 2021, the market value of forward contracts for hedging of foreign currency liabilities from financing activities has been included in the key figure. This provides more relevant information with regard to the economic character of net debt, particularly in light of the increase in U.S. dollar-denominated debt in connection with financing the Varian acquisition.

	Sept 30,	
(in millions of €)	**2021**	**2020**
Short-term financial debt and current maturities of long-term financial debt	225	167
Long-term financial debt	457	314
Current liabilities to the Siemens Group from financing activities	1,926	2,040
Liabilities to the Siemens Group from financing activities	11,708	2,982
Market value of forwards for hedging of foreign currency liabilities from financing activities	−498	−92
Current receivables from the Siemens Group from financing activities	−594	−3,271
Cash and cash equivalents	−1,322	−656
Net debt[1]	**11,901**	**1,484**
Provisions for pensions and similar obligations	908	1,029
Net debt (including pensions)	**12,809**	**2,513**
Income before income taxes	2,404	1,954
Interest income, interest expenses and other financial income, net	169	27
Amortization, depreciation and impairments	1,039	815
EBITDA	**3,612**	**2,796**
Net debt (including pensions)/EBITDA	**3.5**	**0.9**

[1] The values as of September 30, 2020 were adjusted according to the new definition of net debt.

Note 18 Contract liabilities

As of September 30, 2021, contract liabilities amounted to €2,883 million (September 30, 2020: €1,784 million; October 1, 2019: €1,741 million). Included therein were contract liabilities of €582 million (September 30, 2020: €451 million) with a remaining term of more than twelve months. In fiscal year 2021, an amount of €1,197 million (2020: €1,059 million) included in contract liabilities at the beginning of the period was recognized as revenue. The change in contract liabilities in fiscal year 2021 primarily related to the Varian acquisition, leading to an increase of €845 million.

Note 19 Provisions

(in millions of €)	**Warranties**	**Order-related losses and risks**	**Other**	**Total**
Balance at beginning of fiscal year 2021	**211**	**80**	**123**	**414**
Therein: Non-current	24	56	64	144
Additions	197	2	39	238
Usage	−139	−4	−30	−172
Reversals	−35	−16	−28	−78
Currency translation differences	3	3	3	9
Other	30	–	66	96
Balance at end of fiscal year 2021	**268**	**65**	**173**	**506**
Therein: Non-current	25	46	79	150

The majority of provisions is expected to result in cash outflows during the next one to 15 years. Provisions for warranties related to goods sold. Provisions for order-related losses and risks were primarily recognized for contracts in which the unavoidable costs of meeting the obligations under the contracts exceeded expected outstanding revenue. Other provisions included various types of provisions, such as for legal proceedings or asset retirement obligations related to certain items of property, plant and equipment. The line item other mainly related to additions due to acquisitions.

In the ordinary course of business, Siemens Healthineers is involved in legal proceedings in various jurisdictions. At present, the Group does not expect any matters from these legal proceedings to have material effects on net assets, financial position and results of operations.

Note 20 Other current liabilities

	Sept 30,	
(in millions of €)	2021	2020
Wage and salary obligations and other liabilities to employees	1,169	561
Employee-related accruals	353	302
Miscellaneous tax liabilities	288	200
Other	206	135
Total other current liabilities	**2,016**	**1,198**

The increase in the line item wage and salary obligations and other liabilities to employees was due mainly to higher obligations for performance-based compensation and the acquisition of Varian. Employee-related accruals primarily included accruals for vacation and overtime entitlements as well as share-based payment. As of the reporting date, miscellaneous tax liabilities mainly comprised sales tax liabilities of € 195 million (September 30, 2020: € 157 million).

Note 21 Provisions for pensions and similar obligations

Siemens Healthineers provides post-employment benefit plans for almost all of its German employees and the majority of its foreign employees. These plans are accounted for either as defined benefit plans or defined contribution plans.

Defined benefit plans

The defined benefit plans cover around 53,000 participants. These are divided into 34,000 active employees for whom current service cost is recognized, 9,000 active and former employees with vested benefits for whom no more current service cost is recognized, and 11,000 retirees and surviving dependents who receive benefits. The defined benefit plans are to a certain extent affected by longevity, inflation and compensation increases and take into account country-specific differences. Major plans are funded with assets in external segregated benefit trusts. In accordance with local laws, these plans are managed in the interest of the beneficiaries through trust agreements with the respective benefit trusts. The defined benefit plans open to new entrants are predominantly based on contributions made by Siemens Healthineers. The majority of the provisions for pensions derives from defined benefit plans in the following four countries:

Germany

In Germany, Siemens Healthineers provides pension benefits through the Siemens Healthineers BSAV ("Beitragsorientierte Siemens Altersversorgung"), frozen legacy plans and deferred compensation plans. The majority of active employees participates in the Siemens Healthineers BSAV. The benefits provided under this plan are predominantly based on notional contributions by the company and the investment returns on the corresponding assets of this plan, whereby a minimum return is guaranteed by the company. The frozen plans expose Siemens Healthineers to investment risk, interest rate risk and longevity risk. The effect of compensation increases is substantially eliminated. The pension plans are funded via a contractual trust arrangement (CTA). No legal or regulatory minimum funding requirements apply in Germany.

United States

In the United States, defined benefit plans are sponsored by Siemens Healthineers, which have been frozen to new entrants and future benefit accruals, except for interest credits on cash balance accounts. The plans' assets are held in trusts. The trustees of the trusts are responsible for the administration of the assets. They take directions from an investment committee to which Siemens Healthineers has delegated supervision of the investment of plan assets. The plans are subject to funding requirements under the Employee Retirement Income Security Act of 1974 (ERISA) as amended. There is a regulatory requirement to maintain a minimum funding level of 80 % in the defined benefit plans in order to avoid benefit restrictions. Annual contributions are calculated by independent actuaries. Siemens Healthineers may, at its discretion, contribute in excess of this regulatory requirement.

United Kingdom

In the United Kingdom, Siemens Healthineers provides pension benefits through the Siemens Healthineers Benefit Scheme for which an inflation adjustment of the majority of accrued defined benefits is mandatory until the start of retirement. The required funding is determined by a so-called funding valuation carried out every third year according to legal requirements.

Switzerland

Following the Swiss Law of Occupational Benefits ("Berufliches Vorsorgegesetz", BVG), each employer must grant post-employment benefits to qualifying employees. Accordingly, Siemens Healthineers sponsors cash balance plans in Switzerland. These plans are administered by external foundations. The boards of the main foundations are composed of an equal number of employer and employee representatives of the plan sponsors. The boards of the foundations are responsible for the investment policy and the management of plan assets as well as for any changes in the plan rules and the determination of contributions to finance the benefits. Siemens Healthineers is required to make total contributions at least as high as the sum of the employee contributions set out in the plan rules. In case of an underfunded plan, Siemens Healthineers together with the employees may be required to pay supplementary contributions according to a defined framework of recovery measures.

	Defined benefit obligation (I)		Fair value of plan assets (II)		Effects of asset ceiling (III)		Net defined benefit balance (I-II+III)	
	Fiscal year		Fiscal year		Fiscal year		Fiscal year	
(in millions of €)	2021	2020	2021	2020	2021	2020	2021	2020
Balance at beginning of fiscal year	**3,798**	3,847	**2,813**	2,858	**8**	13	**993**	1,002
Current service cost	80	73	–	–	–	–	80	73
Interest expenses	41	52	–	–	–	–	41	52
Interest income	–	–	33	43	–	–	−33	−43
Other [1]	1	−6	−2	−4	–	–	3	−2
Defined benefit cost recognized in the consolidated statements of income	**122**	119	**30**	39	**–**	–	**92**	81
Return on plan assets (excluding amounts included in net interest income and net interest expenses)	–	–	169	53	–	–	−169	−53
Actuarial gains (–) and losses	−22	67	–	–	–	–	−22	67
Effects of asset ceiling	–	–	–	–	1	−6	1	−6
Remeasurements recognized in the consolidated statements of comprehensive income	**−22**	67	**169**	53	**1**	−6	**−191**	9
Employer contributions	–	–	82	77	–	–	−82	−77
Plan participants' contributions	9	9	9	9	–	–	–	–
Benefits paid	−172	−153	−157	−138	–	–	−15	−15
Settlement payments	–	–	–	–	–	–	–	–
Business combinations, disposals and other	307	4	272	–	–	–	35	4
Currency translation differences	38	−95	39	−85	–	–	−1	−11
Other reconciliation items	**182**	−235	**246**	−137	**–**	–	**−63**	−99
Balance at fiscal year-end	**4,081**	3,798	**3,259**	2,813	**9**	8	**831**	993
Thereof:								
Germany	2,033	2,007	1,318	1,216	–	–	715	791
United States	986	1,050	948	937	–	–	38	113
United Kingdom	465	369	516	408	8	8	−43	−32
Switzerland	318	112	306	104	–	–	12	7
Other countries	278	261	171	147	1	–	108	114
Thereof:								
Provisions for pensions and similar obligations							908	1,029
Net defined benefit assets [2]							77	36

[1] Included past service cost, settlement gains and losses as well as liability management costs for funded plans.
[2] Presented in the line item other assets.

In fiscal year 2021, the line item business combinations, disposals and other included effects from the acquisition of Varian. These included the defined benefit obligation of € 303 million, the fair value of plan assets of € 271 million and asset ceiling effects of € 0 million.

Net interest expenses related to provisions for pensions and similar obligations amounted to € 10 million in fiscal year 2021 (2020: € 10 million). The defined benefit obligation was attributable to active employees 47 % (2020: 45 %), to active and former employees with vested benefits for whom no more current service cost is recognized 14 % (2020: 14 %), and to retirees and surviving dependents 39 % (2020: 41 %).

The actuarial gains (–) and losses included in the remeasurements resulted from:

	Fiscal year	
(in millions of €)	**2021**	**2020**
Changes in demographic assumptions	– 8	– 3
Changes in financial assumptions	– 26	72
Experience gains and losses	12	– 2
Total actuarial gains (–) and losses	**– 22**	67

Actuarial assumptions

The weighted-average discount rate was as follows:

	Sept 30,	
(in %)	**2021**	**2020**
Discount rate	1.7	1.5
Euro	1.0	0.9
U.S. dollar	2.7	2.4
British pound	1.9	1.7
Swiss franc	0.4	0.2

Mortality tables applied[1] were:

	Sept 30,	
	2021	**2020**
Germany	Siemens-specific tables (Siemens Bio 2017/2021) mainly derived from data of the German Siemens population and to a lesser extent from data of the Federal Statistical Office in Germany by applying formulas in accordance with recognized actuarial standards	Siemens-specific tables (Siemens Bio 2017/2020) mainly derived from data of the German Siemens population and to a lesser extent from data of the Federal Statistical Office in Germany by applying formulas in accordance with recognized actuarial standards
United States	Pri-2012 generational projection from the U.S. Social Security Administration's Long Range Demographic Assumptions	Pri-2012 generational projection from the U.S. Social Security Administration's Long Range Demographic Assumptions
United Kingdom	SAPS S2 Standard mortality tables for Self-Administered Pension Schemes with allowance for future mortality improvements	SAPS S2 Standard mortality tables for Self-Administered Pension Schemes with allowance for future mortality improvements
Switzerland	BVG 2020 G	BVG 2015 G

[1] The mortality tables applied to material plans are shown.

Compensation increase and pension progression for countries, in which these assumptions have a significant effect, are shown in the following table. If applicable, inflation effects were considered.

	Sept 30,	
(in %)	**2021**	**2020**
Compensation increase		
United Kingdom	3.0	2.6
Switzerland	1.5	1.4
Pension progression		
Germany	1.5	1.5
United Kingdom	3.0	2.6

Sensitivity analysis

A change of half a percentage-point in the above-mentioned assumptions would affect the defined benefit obligation as follows:

	Effect on defined benefit obligation due to a change of half a percentage-point			
	Sept 30, 2021		Sept 30, 2020	
(in millions of €)	Increase	Decrease	Increase	Decrease
Discount rate	−242	271	−227	266
Compensation increase	16	−15	11	−10
Pension progression	158	−144	158	−135

The effect on the defined benefit obligation of a 10% reduction in mortality rates for all beneficiaries would be an increase of €110 million as of September 30, 2021 (September 30, 2020: €109 million).

Sensitivity determinations applied the same methodology as applied for the determination of the post-employment benefit obligation. Sensitivities reflect changes in the defined benefit obligation solely for the assumption changed.

Asset liability management strategies

A decline in the pension plans' funded status due to an adverse development of plan assets or the defined benefit obligation is considered as a significant risk. The funded status can be affected by changes in actuarial assumptions, primarily the discount rate, as well as movements in financial markets. Accordingly, Siemens Healthineers implemented an investment strategy aligned with the defined benefit obligation (liability-driven investment approach). The management of the risks is based on a defined risk measure (Value at Risk, VaR), which considers both plan assets and the defined benefit obligation. The above-mentioned risks and the asset development are monitored on an ongoing basis and, if necessary, the investment strategy is adjusted accordingly. Independent asset managers are selected based on quantitative and qualitative analyses, which include their performance and risk preference. Derivatives are used to reduce risks as part of risk management.

Disaggregation of plan assets

	Sept 30,	
(in millions of €)	2021	2020
Equity securities	598	554
Fixed income securities	1,590	1,359
Thereof:		
Government bonds	222	184
Corporate bonds	1,369	1,175
Alternative investments	278	200
Multi-strategy funds	413	345
Derivatives	189	180
Insurance contracts	121	79
Cash and cash equivalents	62	91
Other	9	4
Total plan assets	**3,259**	**2,813**

Almost all equity securities had quoted prices in an active market. The fair value of fixed income securities was based on prices provided by price service agencies. The fixed income securities were mainly traded on an active market and almost all were rated as investment grade. Alternative investments mostly included investments in hedge funds and real estate investments. Multi-strategy funds comprised mainly absolute return funds and diversified growth funds that invest in various asset classes within a single fund, with the aim to stabilize investment returns and reduce volatility. Derivatives predominantly consisted of financial instruments for hedging interest rate risk. Insurance contracts included mainly reinsurance contracts for benefits due to members.

In fiscal year 2021, pooled funds were reclassified from the category fixed income securities to the category derivatives to represent the nature of assets involved more accurately. The prior-year amounts have been reclassified accordingly for reasons of better comparability, which resulted in a reclassification of €115 million from the line item fixed income securities into the line item derivatives.

Future cash flows

As of the reporting date, the expected employer contributions to defined benefit plans for fiscal year 2022 amounted to €82 million (2021: €73 million). Over the next ten fiscal years, average annual benefit payments of €190 million were expected (September 30, 2020: €181 million). The weighted average duration of the defined benefit obligation for Siemens Healthineers' defined benefit plans was 13 years (September 30, 2020: 13 years).

Defined contribution plans

The amount recognized as an expense for defined contribution plans amounted to €487 million in fiscal year 2021 (2020: €449 million). Therein, contributions to state plans of €332 million (2020: €287 million) were included.

Note 22 Other liabilities

	Sept 30,	
(in millions of €)	2021	2020
Deferred compensation liabilities	303	211
Employee-related accruals	120	121
Other	12	13
Total other liabilities	**435**	345

Deferred compensation liabilities related to a deferred compensation plan in the United States. Please refer to → ***Note 15 Other assets*** for the corresponding deferred compensation assets. Employee-related accruals primarily included accruals for anniversary expenses and expenses for partial retirement in Germany.

Note 23 Equity

Resolutions of the Shareholders' Meeting 2021

The Authorized Capital 2018 was canceled by resolution at the Shareholders' Meeting on February 12, 2021. With this resolution, the Managing Board was simultaneously authorized by the Shareholders' Meeting to increase the capital stock, with the approval of the Supervisory Board, on one or more occasions, in one total sum or in installments, during the period until February 11, 2026 by up to €537.5 million by issuing up to 537,500,000 new ordinary registered shares with no par value against contributions in cash and/or in kind (Authorized Capital 2021). Furthermore, the Managing Board was authorized to exclude the subscription rights of the shareholders with the approval of the Supervisory Board.

The Conditional Capital 2018 and the authorization to issue convertible bonds or warrants under warrant bonds as of February 19, 2018 were canceled by resolution at the Shareholders' Meeting on February 12, 2021. Simultaneously, the share capital was conditionally increased by up to €107.5 million (107,500,000 shares, Conditional Capital 2021) and the authorization of the Managing Board to issue convertible bonds and/or warrant bonds was renewed. The Conditional Capital 2021 serves to grant shares to holders or creditors of bonds issued by Siemens Healthineers AG or one of its affiliated companies until February 11, 2026. Furthermore, the Managing Board was authorized to exclude the subscription rights of the shareholders with the approval of the Supervisory Board.

By resolution of the Shareholder's Meeting on February 12, 2021, the authorization of February 19, 2018 to acquire and use treasury shares was canceled. Simultaneously, the Managing Board was authorized to acquire treasury shares until February 11, 2026 in an aggregate amount of up to 10% of the capital stock existing at the time the resolution is adopted or, if this amount is lower, of the capital stock existing at the time the authorization is exercised.

Capital increases

In March 2021, the Managing Board of Siemens Healthineers AG, with the approval of the Supervisory Board, resolved on a capital increase against cash contributions through partial utilization of the Authorized Capital 2021. The 53,000,000 new shares were placed with institutional investors under exclusion of subscription rights of already existing shareholders, at a placement price of €44.10 per share, by way of an accelerated book-building process, and carry dividend rights as from October 1, 2020.

In September 2020, the Managing Board of Siemens Healthineers AG, with the approval of the Supervisory Board, authorized a capital increase against cash contributions through partial utilization of the Authorized Capital 2018. The 75,000,000 new shares were issued under exclusion of subscription rights of already existing shareholders at a placement price of €36.40 per share and carry dividend rights as from October 1, 2019.

Further disclosures

Issued capital: As of September 30, 2021, the issued capital of Siemens Healthineers AG was divided into 1,128,000,000 (September 30, 2020: 1,075,000,000) ordinary registered shares with no par value and a notional value of €1.00 per share. The shares are fully paid in. Each share has one vote and accounts for the shareholder's proportionate share in the net income. All shares confer the same rights and obligations.

Authorized capital: As of September 30, 2021, authorized capital of Siemens Healthineers AG was €484.5 million (September 30, 2020: €425 million), issuable on one or more occasions, in one total sum or in installments, until February 11, 2026, by issuing up to 484,500,000 (September 30, 2020: 425,000,000) new ordinary registered shares with no par value in return for contributions in cash and/or in kind. In addition, as of September 30, 2021, the conditional capital of Siemens Healthineers AG was €107.5 million or 107,500,000 shares (September 30, 2020: €100 million or 100,000,000 shares). It can be used for servicing convertible bonds and/or warrant bonds.

Capital reserve: In fiscal years 2021 and 2020, changes in the capital reserve resulted mainly from the capital increases against cash contributions described above. Furthermore, in fiscal year 2021, effects from transaction costs related to a capital increase of €23 million (2020: €26 million) were recognized.

Treasury shares: In fiscal year 2021, Siemens Healthineers repurchased 5,982,699 (2020: 1,550,474) shares and transferred 1,551,983 (2020: 1,303,383) treasury shares. As of the reporting date, the Group held 5,328,965 (September 30, 2020: 898,249) treasury shares.

Dividends: Dividends paid per share were €0.80 in fiscal year 2021. The amount was calculated based on the Group's net income generated during the period from October 1, 2019, until September 30, 2020. For fiscal year 2021, the Managing Board and the Supervisory Board propose to distribute a dividend of €0.85 per share entitled to the dividend, in total representing approximately €954 million in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on February 15, 2022.

Note 24 Other financial obligations

As of September 30, 2021, extension options existed for leases with undiscounted lease payments in the amount of €513 million (September 30, 2020: €393 million), whose exercise was assessed not reasonably certain.

As of the reporting date, contractual commitments for purchases of property, plant and equipment amounted to €184 million (September 30, 2020: €107 million).

Note 25 Financial instruments and hedging activities

Financial instruments

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

Carrying amounts as of September 30, 2021

		In scope of IFRS 9					
			Measured at fair value				
(in millions of €)	Category of financial assets and liabilities (IFRS 9)[1]	Measured at amortized cost	Level 1	Level 2	Level 3	Not in scope of IFRS 9	Total
Cash and cash equivalents	AC	1,322	–	–	–	–	1,322
Trade receivables[2]	AC	3,687	–	–	–	–	3,687
Receivables from finance leases[3]	n.a.	–	–	–	–	265	265
Current receivables from the Siemens Group	AC	711	–	–	–	–	711
Other current and non-current financial assets[2]							
Derivatives included in hedge accounting	n.a.	–	–	502	–	–	502
Derivatives not included in hedge accounting	FVtPL	–	–	20	–	–	20
Equity instruments and fund shares measured at fair value through profit or loss	FVtPL	–	40	4	83	–	127
Equity instruments measured at fair value through other comprehensive income	FVtOCI	–	–	–	47	–	47
Debt instruments measured at fair value through profit or loss	FVtPL	–	–	1	42	–	43
Other	AC	146	–	–	–	–	146
Total financial assets		**5,866**	**40**	**528**	**172**	**265**	**6,871**
Short-term and current maturities of long-term financial debt as well as long-term financial debt[4]	AC	97	–	–	–	–	97
Trade payables	AC	1,921	–	–	–	–	1,921
Lease liabilities[5]	n.a.	–	–	–	–	656	656
Current and non-current liabilities to the Siemens Group[4]	AC	13,569	–	–	–	–	13,569
Other current and non-current financial liabilities							
Derivatives included in hedge accounting	n.a.	–	–	45	–	–	45
Derivatives not included in hedge accounting	FVtPL	–	–	14	–	–	14
Contingent considerations from business combinations	FVtPL	–	–	–	27	–	27
Liabilities from written put options on non-controlling interests	n.a.	–	–	–	–	72	72
Other	AC	124	–	–	–	–	124
Total financial liabilities		**15,710**	**–**	**59**	**27**	**728**	**16,525**

[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 lease liabilities.

[5] Reported in the line items short-term financial debt and current maturities of long-term financial debt, long-term financial debt, current liabilities to the Siemens Group and liabilities to the Siemens Group.

Carrying amounts as of September 30, 2020

(in millions of €)	Category of financial assets and liabilities (IFRS 9)[1]	In scope of IFRS 9				Not in scope of IFRS 9	Total
			Measured at fair value				
		Measured at amortized cost	Level 1	Level 2	Level 3		
Cash and cash equivalents	AC	656	–	–	–	–	656
Trade receivables[2]	AC	2,520	–	–	–	–	2,520
Receivables from finance leases[3]	n.a.	–	–	–	–	210	210
Current receivables from the Siemens Group	AC	3,392	–	–	–	–	3,392
Other current and non-current financial assets[2]							
Derivatives included in hedge accounting	n.a.	–	–	129	25	–	154
Derivatives not included in hedge accounting	FVtPL	–	–	21	–	–	21
Equity instruments and fund shares measured at fair value through profit or loss	FVtPL	–	13	9	11	–	33
Equity instruments measured at fair value through other comprehensive income	FVtOCI	–	–	–	42	–	42
Other	AC	81	–	–	–	–	81
Total financial assets		**6,650**	**13**	**160**	**78**	**210**	**7,111**
Short-term and current maturities of long-term financial debt as well as long-term financial debt[4]	AC	109	–	–	–	–	109
Trade payables	AC	1,356	–	–	–	–	1,356
Lease liabilities[5]	n.a.	–	–	–	–	458	458
Current and non-current liabilities to the Siemens Group[4]	AC	4,942	–	–	–	–	4,942
Other current and non-current financial liabilities							
Derivatives included in hedge accounting	n.a.	–	–	5	–	–	5
Derivatives not included in hedge accounting	FVtPL	–	–	17	–	–	17
Contingent considerations from business combinations	FVtPL	–	–	–	7	–	7
Liabilities from written put options on non-controlling interests	n.a.	–	–	–	–	31	31
Other	AC	45	–	–	–	–	45
Total financial liabilities		**6,452**	**–**	**21**	**7**	**489**	**6,969**

[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 lease liabilities.

[5] Reported in the line items short-term financial debt and current maturities of long-term financial debt, long-term financial debt, current liabilities to the Siemens Group and liabilities to the Siemens Group.

- The carrying amounts of the items cash and cash equivalents, short-term and current maturities of long-term financial debt, trade payables, current liabilities to the Siemens Group and 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, current receivables from the Siemens Group and other non-current financial assets measured at amortized cost were evaluated taking into account various parameters, such as interest rates, country-specific risks and the individual creditworthiness of the debtors. Based on this evaluation, valuation allowances for these items were recognized. The carrying amounts of the items net of valuation allowances approximated their fair values.
- The carrying amount of liabilities to the Siemens Group from U.S. dollar denominated long-term loans was €11,552 million as of September 30, 2021 (September 30, 2020: €2,923 million). The fair value of these liabilities, which is based on prices provided by price service agencies (level 2), amounted to €11,768 million as of September 30, 2021 (September 30, 2020: €3,173 million). The carrying amounts of the remaining liabilities to the Siemens Group approximated their fair value because the relevant interest rates approximated market interest rates.
- The carrying amounts of other non-current financial liabilities measured at amortized cost approximated their fair value, which is determined by discounting the expected future cash flows using market interest 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 (level 2). Options were generally valued based on quoted market prices or based on option pricing models (level 2). In connection with the acquisition of Varian (please also see → ***Note 3 Acquisitions***), Siemens Healthineers entered into a deal contingent forward with a nominal amount of €7,500 million, which was linked to the actual closing of the acquisition. As of September 30, 2020, the fair value of this deal contingent forward was generally based on observable market data such as forward exchange rates, interest curves and volatilities. In addition, the value of the contingency element was taken into account, which depended on expectations about the occurrence and the timing of the closing (level 3). Upon closing of the acquisition, the deal contingent forward was settled and hedge accounting was discontinued. The effective portion of changes in the fair value of the deal contingent forward of €–90 million was reclassified from the cash flow hedge reserve and considered when determining the costs of the acquisition. The ineffective portion of €–89 million was recognized in other financial income, net.
- Except for publicly listed investments for which a quoted price in an active market exists (level 1), the fair values of venture capital investments were generally determined on the basis of prices from most recently executed financing rounds (level 3). The fair values of other equity instruments were generally derived from a discounted cash flow valuation (level 3). Expected cash flows are thereby 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 value measurement of fund shares was based on their net asset values (level 2).
- Debt instruments measured at fair value through profit or loss consisted mainly of bonds and loans related to the financing of proton therapy centers in the Varian segment. In this context, Siemens Healthineers, along with other debt investors, provided funds to various entities that are used for the development, construction and operation of proton therapy centers, primarily in the United States. The repayment is either directly or indirectly linked to the commercial success of the centers. The fair values of the bonds are based on comparable bond issues, broker and dealer quotations for the same or similar investments in active markets, and other observable inputs such as yields, credit risks, default rates, and volatilities (level 2). The fair values of the loans are primarily based on parameters such as the individual creditworthiness of the debtor and the risk characteristics and operating performance of the financed project (level 3). Where appropriate, a probability weighted expected return model is used, utilizing management's assumptions of different outcomes such as the sale, refinancing or closure of the therapy center. Credit ratings are taken into account when adjusting the fair values for credit risks. Consequently, a better rating will generally result in an increased fair value of the loan receivable. As of September 30, 2021, the carrying amounts of financings provided by Siemens Healthineers and measured at fair value through profit or loss were €22 million, while the total undiscounted amount, including accrued interest, amounted to €160 million. In addition, the carrying amounts of trade receivables and contract assets related to the proton therapy centers amounted to €10 million. The carrying amounts represent the maximum exposure to loss.
- The fair values of contingent consideration 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 revenue targets during the earn-out period (level 3). If the estimated revenues or probabilities of completing certain milestones increase or decrease during the respective earn-out period, the fair value of the contingent consideration would increase or decrease, respectively.
- Liabilities from written put options on non-controlling interests were measured at fair value, which is based on the present value of the exercise price of the options (level 3). The exercise price is generally derived from the proportionate enterprise value. The liabilities resulted mainly from written put options in connection with interests in ECG Management Consultants (hereinafter "ECG"). The enterprise value of ECG is calculated by an independent appraiser in accordance with a contractually agreed methodology and serves as a basis for the exercise price per share, which is determined at least once a year. The most significant unobservable input used to determine the fair value is financial information from the five-year business plan, which is mainly subject to expected business and market developments. In addition, weighted revenue and earnings multiples are considered. Changes resulting from the revaluation of liabilities from written put options were recognized in retained earnings.

The changes in the carrying amount of the financial assets and liabilities measured at fair value based on unobservable inputs (level 3) were as follows:

	Deal contingent forward		Equity instruments		Debt instruments measured at fair value through profit or loss		Contingent consideration		Liabilities from written put options on non-controlling interests	
	Fiscal year		Fiscal year		Fiscal year		Fiscal year		Fiscal year	
(in millions of €)	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Balance at beginning of fiscal year	**25**	–	**53**	51	**–**	–	**7**	27	**31**	17
Gains and losses recognized in profit or loss	−89	–	18	1	2	–	–	–	–	–
Gains and losses recognized in equity	−115	25	5	1	–	–	–	–	41	−44
Additions	–	–	11	4	–	–	–	–	–	58
Disposals and settlements	179	–	−14	–	–	–	−4	−20	–	–
Currency translation differences	–	–	3	−4	1	–	–	–	–	–
Other	–	–	54	–	39	–	24	–	–	–
Balance at end of fiscal year	**–**	25	**130**	53	**42**	–	**27**	7	**72**	31

Other changes mainly included additions in connection with the acquisition of Varian.

The following table shows the net gains or losses on financial instruments:

	Fiscal year	
(in millions of €)	2021	2020
Financial assets measured at amortized cost	−2	−15
Financial liabilities measured at amortized cost	−273	172
Financial assets and financial liabilities measured at fair value through profit or loss	31	34
Equity instruments measured at fair value through other comprehensive income	5	1

Net gains or losses on financial assets measured at amortized cost consisted of foreign currency revaluation gains and losses, changes in valuation allowances and gains and losses on derecognition. Net gains or losses on financial liabilities measured at amortized cost included foreign currency revaluation gains and losses. Net gains or losses on financial assets and liabilities measured at fair value through profit or loss resulted from the remeasurement of equity instruments as well as from changes in the fair value of derivatives, which were not designated as hedging instruments. Net gains or losses on equity instruments measured at fair value through other comprehensive income included remeasurement gains and losses.

In fiscal year 2021, interest expenses on financial liabilities not measured at fair value through profit or loss amounted to €194 million (2020: €128 million). Foreign currency revaluation differences recognized in profit or loss on financial assets and liabilities not measured at fair value amounted to €–273 million (2020: €161 million).

Valuation allowances for expected credit losses

Impairments for expected credit losses were generally recorded in the line item selling and general administrative expenses in the consolidated statements of income. Valuation allowances on current and non-current receivables, included in the line items trade and other receivables, other current financial assets and other financial assets, represent lifetime expected credit losses and changed as follows:

	Fiscal year	
(in millions of €)	2021	2020
Valuation allowances at beginning of fiscal year	**101**	96
Change in valuation allowances recorded in the consolidated statements of income	21	27
Write-offs charged against allowances	−20	−16
Currency translation differences	2	−7
Other	25	–
Valuation allowances at fiscal year-end	**129**	101

The change in valuation allowances recorded in the consolidated statements of income related to an increase in the valuation allowances on receivables from the sale of goods and services in fiscal year 2021 by €22 million (2020: increase by €27 million). Other changes mainly included additions in connection with the acquisition of Varian.

In connection with the acquisition of Varian, Siemens Healthineers purchased a credit-impaired loan that was originally granted for the financing of a former proton therapy center. As of September 30, 2021, the gross carrying amount of this loan was €0 million, while the undiscounted contractual amount was €77 million. There have been no significant changes in lifetime expected credit losses since initial recognition.

Current receivables from the Siemens Group were classified in stage 1 of the general impairment approach, which means the valuation allowances were measured at an amount equal to the twelve-month expected credit loss. As of September 30, 2021, current receivables from the Siemens Group with gross carrying amounts of €711 million (September 30, 2020: €3,392 million) carried an investment grade rating. In fiscal years 2021 and 2020, no material valuation allowances were recognized.

Offsetting

Siemens Healthineers entered into master netting agreements and similar agreements for derivatives. As of September 30, 2021, the gross amounts of such derivatives amounted to €506 million (September 30, 2020: €154 million) for derivatives with positive fair values and €47 million (September 30, 2020: €10 million) for derivatives with negative fair values. Thereof, €4 million (September 30, 2020: €5 million) were subject to a master netting agreement but were not offset in the consolidated statements of financial position because the offsetting requirements were not met.

Hedging activities

As part of Siemens Healthineers' risk management approach (please also see ➔ ***Note 26 Financial risk management***), derivatives were used to reduce the risks resulting primarily from fluctuations in exchange rates. In particular, Siemens Healthineers entered into forward exchange contracts and foreign exchange swaps in order to reduce the risk of variability of future cash flows resulting from forecast sales and purchases, acquisitions, firm commitments and loans denominated in foreign currencies.

In fiscal years 2021 and 2020, Siemens Healthineers did not hold any material derivatives relating to interest rate risk or commodity price risk.

Cash flow hedges

Siemens Healthineers applied hedge accounting for certain significant forecast transactions, firm commitments and loans denominated in foreign currencies. The main characteristics of the forward exchange contracts and forward exchange swaps designated as hedging instruments generally matched the underlying hedged items (e.g. nominal amount, maturity).

The nominal amounts of the hedging instruments by maturity were as follows:

	Sept 30, 2021		Sept 30, 2020	
(in millions of €)	Within 1 year	More than 1 year	Within 1 year	More than 1 year
Forward exchange contracts/foreign exchange swaps	2,240	12,101	1,889	2,333
Deal contingent forward	–	–	7,500	–
Total	**2,240**	**12,101**	**9,389**	**2,333**

As of the reporting date, forward exchange contracts and forward exchange swaps with a nominal amount of €12,272 million (September 30, 2020: €3,102 million) were used to hedge exchange risks arising from U.S. dollar-denominated loans. The weighted average hedging rate was 1.3244 US$/€ (September 30, 2020: 1.2548 US$/€). For these hedges, only the changes in the value of the spot element of the forward exchange contracts and the forward exchange swaps were designated as hedging instruments.

In addition, in fiscal year 2020, Siemens Healthineers entered into a deal contingent forward with a nominal amount of €7,500 million to hedge exchange risks arising from a part of the purchase price obligation for the from that point of view planned acquisition of Varian. The hedging rate of the deal contingent forward, which was linked to the closing date of the transaction, ultimately amounted to 1.1684 US$/€. Because the acquisition of Varian was considered to be highly probable, the deal contingent forward was designated as a hedging instrument in a cash flow hedge. The existence of an economic relationship between the hedging instrument and the hedged item was reassessed regularly on a qualitative and quantitative basis. The effectiveness of the hedging relationship was determined by using the dollar offset method. In applying this method, the changes in the value of the deal contingent forward were compared to the changes in the value of a hypothetical derivative that represented the hedged item. In fiscal year 2021, hedge ineffectiveness resulted mainly from the contingency element included in the hedging instrument.

The fair values of derivatives designated as hedging instruments were as follows:

	Sept 30, 2021		Sept 30, 2020	
(in millions of €)	Assets [1]	Liabilities [2]	Assets [1]	Liabilities [2]
Forward exchange contracts/foreign exchange swaps	502	45	129	5
Deal contingent forward	–	–	25	–
Total	**502**	**45**	154	5

[1] Reported in the line items other current financial assets and other financial assets.

[2] Reported in the line items other current financial liabilities and other financial liabilities.

Furthermore, in fiscal year 2021, cash-pooling receivables amounting to US$ 7.7 billion were temporarily designated as hedging instruments in a cash flow hedge to hedge exchange risks resulting from a part of the purchase price obligation in U.S. dollars for the acquisition of Varian, which was considered highly probable.

In fiscal year 2021, the changes in fair value of the hedging instruments used for measuring hedge ineffectiveness amounted to € 214 million (2020: €–152 million) for forward exchange contracts/foreign exchange swaps and €–204 million (2020: € 25 million) for the deal contingent forward. The changes in value of the hedged items amounted to €–214 million (2020: € 152 million) and € 115 million (2020: €–25 million), respectively. There was an impact on profit or loss resulting from ineffectiveness amounting to €–89 million (2020: € 0 million).

The cash flow hedge reserve and the cost of hedging reserve related to the hedging of exchange rate risks and reconcile as follows:

	Cash flow hedges reserve		Cost of hedging reserve	
	Fiscal year		Fiscal year	
(in millions of €)	2021	2020	2021	2020
Balance at beginning of fiscal year	**37**	–24	**117**	3
Changes in the fair value of hedging instruments	99	–127	96	221
Amounts reclassified into revenue (hedging of forecast sales)	4	–1	–	–
Amounts reclassified into cost of sales (hedging of forecast purchases)	–4	–1	–	–
Amounts reclassified into other financial income (hedging of financial debt denominated in foreign currency)	–273	211	–	–
Amounts reclassified into interest expenses	3	1	–125	–67
Amounts reclassified into initial costs of assets	114	0	–	0
Income tax effects	17	–22	1	–40
Balance at end of fiscal year	**–3**	37	**89**	117

Note 26 Financial risk management

Siemens Healthineers is managed centrally by the Managing Board. The Managing Board is responsible for the operating business and manages and controls financial risks in accordance with its risk management policy. The Siemens Group acts as a service provider with respect to certain financial risk management activities.

Market risks

Increasing market fluctuations may result in significant earnings and cash flow volatility risks. The worldwide operating business as well as the investing and financing activities are affected particularly by changes in exchange rates and interest rates. In order to optimize the allocation of financial resources across its segments and entities as well as to achieve its aims, Siemens Healthineers identifies, analyzes and manages the relevant market risks. Siemens Healthineers seeks to manage and control market risks primarily through its regular operating and financing activities and uses derivatives when it is appropriate.

Management of market risks is a priority for the Managing Board. The chief financial officer has specific responsibility for this part of the overall risk management system. This responsibility is delegated to corporate treasury. For practical business purposes, Siemens Healthineers has entered into service agreements with the Siemens Group to receive support in the management of market risks.

To quantify market risks, Siemens Healthineers uses the Value at Risk (VaR) approach. The VaR figures are calculated based on historical volatilities and correlations of various risk factors, a ten-day holding period and a 99.5 % confidence level. Actual impacts on the consolidated statements of income or consolidated statements of comprehensive income according to IFRS may differ substantially from calculated VaR figures, which are the output of a model with a purely financial perspective. Although VaR is an important tool for measuring market risks, the assumptions on which the model is based give rise to some limitations including the following:

- A ten-day holding period assumes that it is possible to dispose of the underlying positions within this period. This may not apply during continuing periods of illiquid markets.
- A 99.5 % confidence level means that there is a 0.5 % statistical probability that losses 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 based on this statistical behavior may not always cover all possible scenarios, especially those of an exceptional nature.

Any market-sensitive instruments, including equity and interest-bearing investments, that Siemens Healthineers' pension plans hold are not included in the following quantitative and qualitative disclosures.

Exchange rate risk

Transaction risk

Each entity whose business leads to future cash flows denominated in a currency other than its functional currency is exposed to risks from changes in exchange rates. In the ordinary course of business, entities are particularly exposed to exchange rate fluctuations between the U.S. dollar and the euro.

Siemens Healthineers defines exchange rate risk as the sum of the net amount of foreign-currency-denominated monetary items, firm commitments and planned sales and purchases in a foreign currency. The exchange rate risk is determined based on the respective functional currencies of the exposed entities.

The exchange rate risk from cash inflows in foreign currency is partly balanced by purchasing goods, commodities and services in the respective currencies as well as by production activities and other contributions along the value chain in the local markets.

Entities are bound by an exchange rate risk management system established within the Group. Each entity is responsible for recording, assessing and monitoring its transaction-related exchange rate risk. The mandatory guideline for the treatment of exchange rate risks within Siemens Healthineers describes the procedure for identifying and determining the single net foreign currency positions. It commits the entities to hedge at least 75 % but no more than 100 % of their foreign-currency-denominated monetary items, firm commitments and cash flows from planned sales and purchases for the following three months. The majority of Siemens Healthineers' hedging transactions is carried out with the corporate treasury of the Siemens Group as the counterparty. During an interim phase, the entities acquired as part of the acquisition of Varian are only hedging their foreign-currency-denominated monetary items.

Entities are prohibited from borrowing or investing in foreign currencies on a speculative basis. New financing from the Siemens Group or investments by operating entities are carried out preferably in their functional currency. In case an entity is financed in a non-functional currency, the respective foreign currency risk must be hedged 100 %. Exchange rate risks in connection with the acquisition or sale of businesses are hedged on an individual basis.

As of September 30, 2021, the VaR relating to exchange rate risks was € 17 million (September 30, 2020: € 50 million). This VaR was calculated taking into consideration items of the consolidated statement of financial position, foreign-currency-denominated firm commitments, foreign-currency-denominated cash flows from forecast transactions for the following twelve months and effects from hedging transactions.

Translation risk
Many entities are located outside the euro zone. Because the financial reporting currency of Siemens Healthineers is the euro, the financial statements of these entities are translated into euros for preparation of the consolidated financial statements. To take account of effects of foreign currency translation in risk management, the general assumption is that investments in foreign entities are permanent and that reinvestment is continuous. Effects from exchange rate fluctuations on the translation of net asset amounts into euros are reflected in the line item other components of equity.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or its future cash flows will fluctuate because of changes in interest rates. This risk arises whenever interest terms of financial assets and liabilities change. Siemens Healthineers' exposure to the risk of fluctuations in future cash flows resulting from changes in interest rates relates mainly to short-term bank loans as well as money market borrowings and investments at Siemens Group. Long-term liabilities to the Siemens Group primarily have fixed interest rates to reduce the risk of fluctuations in cash flows resulting from changes in interest rates. Moreover, the interest rate risks of fluctuations in the fair values of long-term liabilities are currently not actively managed as no material effects on net income are expected to occur. Accordingly, Siemens Healthineers did not use any interest rate derivatives in fiscal years 2021 and 2020.

As of September 30, 2021, the VaR relating to interest rates was € 148 million (September 30, 2020: € 47 million). The increase was mainly driven by the borrowing of the loans in connection with financing the Varian acquisition and higher interest rate volatilities in the United States and in the euro zone.

Liquidity risk

Liquidity risks relate to Siemens Healthineers' ability to meet its financial obligations. As of September 30, 2021, Siemens Healthineers' reserve of cash and cash equivalents amounted to € 1,322 million (September 30, 2020: € 656 million).

In the periods presented, Siemens Healthineers was financed largely by the Siemens Group and invested excess liquidity using the Siemens Group's cash pooling and cash management systems. Excluded thereof are currently the entities that were acquired as part of the acquisition of Varian. For details about financing arrangements with the Siemens Group, please refer to ➔ ***Note 16 Financial debt***.

The following table reflects the contractually fixed payoffs for repayments and interest. The disclosed expected undiscounted net cash outflows from derivative financial liabilities were determined based on each particular settlement date of an instrument and on the earliest date on which Siemens Healthineers could be required to pay. In addition, the majority of the financing agreements with the Siemens Group include change of control clauses that may result in early maturity (please also see ➔ ***A.8.5 Significant agreements which take effect, alter or terminate upon a change of control of Siemens Healthineers AG following a takeover bid***). Cash outflows for financial liabilities without fixed amount are based on the conditions existing as of September 30, 2021.

	Fiscal year			
(in millions of €)	2022	2023	2024 to 2026	2027 and thereafter
Non-derivative financial liabilities	**4,479**	**2,128**	**4,522**	**7,707**
Thereof:				
Loans from banks	74	19	–	–
Lease liabilities	179	134	223	177
Trade payables	1,915	2	3	1
Other financial liabilities	205	14	1	–
Payables and other liabilities to the Siemens Group [1]	2,106	1,959	4,295	7,529
Derivative financial liabilities	**59**	**2**	**–**	**–**

[1] Excluding separately disclosed lease liabilities.

The risk implied from the values shown in the table above reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities, including lease liabilities, originate mainly from the financing of assets used in Siemens Healthineers' ongoing operations, such as property, plant, equipment and investments in working capital. These assets are considered in Siemens Healthineers' overall liquidity risk management. Thus, Siemens Healthineers mitigates liquidity risk through the implementation of effective working capital management and cash management. To monitor existing financial assets and liabilities and to enable effective control of emerging risks, Siemens Healthineers uses a comprehensive risk reporting system, which covers its worldwide business entities.

Credit risk

Credit risk is defined as an unexpected loss from financial instruments if a counterparty is unable to pay its obligations in due time or if the value of collateral declines. The effective monitoring and controlling of credit risk through credit evaluations and ratings is a core competence of Siemens Healthineers' risk management system. Accordingly, binding credit policy guidelines were implemented. In principle, each entity is responsible for managing credit risk in its own operating activities.

Ratings and individually defined credit limits are based mainly on generally accepted rating methodologies, with input consisting of information obtained from customers, external rating agencies, data service providers and credit default experiences. Ratings consider appropriate forward-looking information significant to the specific financial instrument, such as expected changes in the obligor's financial position, as well as broader forward-looking information, such as expected macroeconomic, industry-related and competitive developments. In addition, ratings also consider a country-specific risk component derived from external country ratings. Ratings and credit limits are carefully considered in determining the conditions under which direct or indirect financing will be offered to customers by Siemens Healthineers.

Siemens Healthineers applies various systems and processes to analyze and monitor credit risk. A central IT application is available that provides rating and default information. Together with data from operating entities, this information is used as a basis for individual bad debt allowances. In addition to this automated process, qualitative information is considered to particularly incorporate latest developments. The entities acquired as part of the acquisition of Varian will be integrated in the systems and processes in fiscal year 2022.

There were no significant concentrations of customer credit risk as of September 30, 2021 and 2020. The maximum exposure to credit risk for financial assets, without taking account of any collateral, is represented by their carrying amount. As of September 30, 2021, collateral and other credit enhancements held for financial assets measured at amortized cost amounted to €45 million (September 30, 2020: €59 million), mainly in the form of letters of credit and guarantees.

As of September 30, 2021, the gross carrying amount of receivables from the sale of goods and services in the segments Imaging, Diagnostics and Advanced Therapies amounted to €3,080 million (September 30, 2020: €2,612 million). Based on rating information from Siemens Financial Services, 42% (September 30, 2020: 38%) were rated with an investment grade rating and 58% (September 30, 2020: 62%) with a non-investment grade rating. Receivables from finance leases with a gross carrying amount of €270 million (September 30, 2020: €216 million) and contract assets with a gross carrying amount of €899 million (September 30, 2020: €825 million) generally share similar risk characteristics. As of the reporting date, there were no material loan commitments and financial guarantee contracts.

The following ageing analysis provides information about the credit risk exposure of trade receivables and contract assets in the Varian segment:

	Sept 30, 2021		
(in millions of €)	**Average allowance rate**	**Gross carrying amount**	**Valuation allowance**
Up to 180 days	0.7%	767	5
181 to 365 days	7.0%	97	7
More than 365 days	27.6%	142	39
Total		**1,006**	**51**

As of the reporting date, there were no material loan commitments and financial guarantee contracts.

Note 27 Share-based payment

As of September 30, 2021, the carrying amount of liabilities from share-based payment amounted to €46 million (September 30, 2020: €72 million). In fiscal year 2021, expenses for share-based payment amounted to €92 million (2020: €88 million). These included €70 million related to equity-settled share-based payment awards (2020: €50 million).

Share-based payment awards granted in fiscal year 2021, including the Siemens Healthineers' stock awards and the Share Matching program, were based on Siemens Healthineers AG shares. In addition, employees continued to participate in existing share-based payment plans of the Siemens Group based on Siemens AG shares. These plans included Siemens' stock awards, the Share Matching program based on Siemens AG shares and the Jubilee Share program.

Stock awards

Siemens Healthineers grants stock awards to members of the Managing Board, members of senior management and other eligible employees. These entitle beneficiaries after expiry of the restriction period to receive Siemens Healthineers AG shares without payment of consideration (Siemens Healthineers' stock awards). In fiscal year 2018, Siemens Healthineers granted stock awards based on Siemens AG shares (Siemens' stock awards) for the last time.

Changes in stock awards held by members of the Managing Board, members of senior management and other eligible employees were as follows:

	Siemens Healthineers AG shares		Siemens AG shares	
	Fiscal year		Fiscal year	
	2021	2020	2021	2020
Non-vested at beginning of fiscal year	**3,390,682**	2,400,158	**325,330**	534,148
Granted	1,479,501	1,139,879	–	–
Vested and fulfilled	−189,111	–	−198,643	−193,877
Forfeited	−79,970	−130,553	−36,790	−12,793
Settled	−1,813	−18,802	−81	−2,148
Adjustment in quantity[1]	−45,838	–	–	–
Other	524	–	137	–
Non-vested at fiscal year-end	**4,553,975**	3,390,682	**89,953**	325,330

[1] Adjustments resulting from changes in the estimate of the target attainment of the ESG target.

Siemens' stock awards

With regard to the total target amount of share-based payment, the target attainment of the Siemens' stock awards is bound to the share price performance of Siemens AG relative to the share price performance of competitors during the restriction period of about four years. The target attainment for the performance criteria ranges from 0% to 200%. If the target attainment exceeds 100%, an additional cash payment is made corresponding to the outperformance. Siemens' stock awards are classified as cash-settled share-based payment.

Siemens Healthineers' stock awards

In fiscal year 2021, Siemens Healthineers granted Siemens Healthineers' stock awards to members of the Managing Board, members of senior management and other eligible employees. The major portion of the Siemens Healthineers' stock awards granted to members of senior management and other eligible employees continues to depend solely on fulfillment of the employee's respective service condition (plan design II). In addition, Siemens Healthineers granted stock awards to members of the Managing Board and eligible members of senior management and other eligible employees that are tied to performance criteria (plan design I). 80% of the target amount are linked to the development of the total shareholder return as compared to two equally weighted external indices during the restriction period (TSR target). The remaining 20% of the target amount are linked to an internal sustainability target considering environmental, social and governance targets (ESG target). In fiscal year 2020, Siemens Healthineers' stock awards granted under plan design I were completely linked to the development of the total shareholder return in comparison to that of established competitors during the vesting period. The following table summarizes the information for the Siemens Healthineers' stock awards of the 2021 and 2020 tranches.

Siemens Healthineers' stock awards

	Tranche 2021				
	Plan design I				Plan design II
Performance condition	TSR target		ESG target		n.a.
Target attainment	0–200%				n.a.
Restriction period	About 4 years				About 1 to about 4 years
Beneficiaries	Members of the Managing Board, eligible members of senior management and other eligible employees				Members of senior management and other eligible employees
Classification	Equity-settled share-based payment				
Number of granted stock awards	458,433[1]				1,021,068
Fair Value at the grant date	€10 million				€36 million
Determination of the fair value	Valuation model		Share price less present value of expected dividends		Share price less present value of expected dividends
Inputs to the valuation model for the following beneficiaries	**Members of the Managing Board**	**Members of senior management and other eligible employees**	**Members of the Managing Board**	**Members of senior management and other eligible employees**	**Members of senior management and other eligible employees**
Expected weighted volatility of Siemens Healthineers AG share[2]	26.97%	27.04%	n.a.	n.a.	n.a.
Share price per Siemens Healthineers AG share	€40.37	€37.55	€40.37	€37.55	€37.55
Expected dividend yield	1.98%	2.13%	n.a.	n.a.	n.a.
Risk-free interest rate	−0.51%	−0.49%	n.a.	n.a.	n.a.

[1] Based on a target attainment of 200%.

[2] Expected volatility and assumptions concerning share price correlations were determined by reference to historical volatilities and historical correlations, respectively.

Share Matching program and its underlying plans

Under the Share Matching program, Siemens Healthineers offers plans which entitle beneficiaries to receive Siemens Healthineers AG shares. Up to fiscal year 2018, beneficiaries were entitled to receive Siemens AG shares. The plans under the Share Matching program based on Siemens Healthineers AG shares are classified as equity-settled share-based payment, plans under the Share Matching program based on Siemens AG shares as cash-settled share-based payment. The weighted average fair value of the Siemens Healthineers' matching shares granted in fiscal year 2021 was €34.82 per share (2020: €33.81 per share). It was derived from the share price less the present value of expected dividends and taking into account non-vesting conditions.

The development of outstanding matching shares from plans of the Share Matching program described below was as follows:

	Siemens Healthineers AG shares		Siemens AG shares	
	Fiscal year		Fiscal year	
	2021	2020	2021	2020
Outstanding at beginning of fiscal year	**518,155**	134,462	**121,618**	213,232
Granted	396,904	410,693	–	–
Vested and fulfilled	–	–	−119,251	−79,790
Forfeited	−36,365	−19,941	−1,604	−7,167
Settled	−15,202	−7,059	−757	−4,657
Outstanding at fiscal year-end	**863,492**	518,155	**6**	121,618

Share matching plan

Under the share matching plan, members of senior management can invest a part of their variable compensation in shares (investment shares). The shares are purchased at the market price at a predetermined date in the second quarter of each fiscal year. For every three investment shares held over the vesting period of about three years, plan participants have the right to receive one share without payment of consideration (matching share), provided the plan participant is continually employed by the Siemens Group, including Siemens Healthineers, until the end of the vesting period.

Monthly investment plan

Under the monthly investment plan, employees other than members of senior management can monthly invest a part of their compensation in shares over a period of twelve months. The shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the monthly investment plan are transferred to the share matching plan, plan participants have the right to receive matching shares under the same conditions applying to the share matching plan described above but with a vesting period of about two years. The Managing Board of Siemens Healthineers AG decided to transfer the shares acquired under the 2020 tranche to the share matching plan in February 2021.

Tranche 2020		
Plan design I		**Plan design II**
development of the total shareholder return in comparison to competitors (TSR)		n. a.
0–200%		n. a.
About 4 years		About 1 to about 4 years
Members of the Managing Board, eligible members of senior management and other eligible employees		Members of senior management and other eligible employees
Equity-settled share-based payment		
354,955[1]		784.924
€8 million		€32 million
Valuation model		Share price less present value of expected dividends
Members of the Managing Board	**Members of senior management and other eligible employees**	**Members of senior management and other eligible employees**
21.28%	21.36%	n. a.
€42.59	€43.50	€43.50
1.88%	1.84%	n. a.
−0.27%	−0.27%	n. a.

Base share program

Under the base share program, employees of participating entities can invest a fixed amount of their compensation in shares, which is then matched by Siemens Healthineers. The shares are purchased at market price at a predetermined date in the second quarter of each fiscal year and grant the right to receive matching shares under the same conditions applying to the share matching plan described above.

Jubilee Share program

For their 25th and 40th service anniversaries, eligible employees in Germany receive jubilee shares in form of Siemens AG shares. The Jubilee Share program is classified as cash-settled share-based payment. As of September 30, 2021, 530,075 entitlements to jubilee shares were outstanding for Siemens Healthineers' employees (September 30, 2020: 513,320).

Note 28 Personnel expenses and employees

	Fiscal year	
(in millions of €)	**2021**	**2020**
Wages and salaries	5,140	4,221
Statutory social welfare contributions and expenses for optional support	686	613
Expenses relating to post-employment benefits	241	238
Total personnel expenses	**6,067**	**5,072**

Wages and salaries in fiscal year 2021 included severance charges of €68 million (2020: €65 million) and expenses in the amount of €56 million for a special one-time payment to employees related to fiscal year 2021.

Employees were engaged in the following functions (averages):

	Fiscal year	
(in thousands)	**2021**	**2020**
Manufacturing and services	36	30
Sales	13	12
Research and development	12	10
Administration and general services	5	3
Total employees	**66**	**54**

The increase in the number of employees in fiscal year 2021 resulted mainly from the acquisition of Varian.

Note 29 Segment information

	Adjusted external revenue[1]		Intersegment revenue		Total adjusted revenue[1]	
	Fiscal year		Fiscal year		Fiscal year	
(in millions of €)	2021	2020	2021	2020	2021	2020
Imaging	9,533	8,813	288	277	9,821	9,090
Diagnostics	5,417	3,924	–	–	5,418	3,924
Varian	1,300	–	–	–	1,300	–
Advanced Therapies	1,713	1,625	3	3	1,716	1,628
Total segments	**17,964**	14,362	**292**	280	**18,256**	14,642
Reconciliation to consolidated financial statements[4]	33	98	−292	−280	−259	−182
Siemens Healthineers	**17,997**	14,460	**–**	–	**17,997**	14,460

[1] Siemens Healthineers: IFRS revenue.

[2] Siemens Healthineers: Income before income taxes. Adjusted EBIT fiscal year 2020 on segment level adjusted in line with updated definition of adjusted EBIT.

[3] On segment level: net capital employed.

[4] Including effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations.

Reportable segments

Since the closing of the acquisition of Varian on April 15, 2021 Siemens Healthineers has the following four reportable segments, which are differentiated according to the nature of goods and services:

- ***Imaging*** offers imaging products, services and solutions. The most important products within this segment are equipment for magnetic resonance, computed tomography, X-ray systems, molecular imaging and ultrasound.
- ***Diagnostics*** offers in-vitro diagnostic products and services that are offered to healthcare providers in laboratory, molecular and point-of-care diagnostics.
- ***Varian*** provides innovative, multi-modality cancer care technologies as well as solutions, and services to oncology departments in hospitals and clinics globally.
- ***Advanced Therapies*** is a supplier of highly integrated products, solutions and services across multiple clinical fields, which are provided to therapy departments of healthcare providers.

Measurement and reconciliations

Accounting policies for segment information are generally the same as those summarized in → ***Note 2 Accounting policies***. Any exceptions or supplements are outlined below or become apparent in the reconciliations.

Adjusted revenue

At the segment level, revenue is defined as total revenue and corresponds to the sum of external and intersegment revenue. Total adjusted revenue of the segments is additionally adjusted for effects in line with revaluation of contract liabilities from IFRS 3, Business Combinations, purchase price allocations.

Revenue includes revenue from contracts with customers and revenue from leasing activities. In fiscal year 2021, income from leases amounted to €369 million (2020: €323 million). In fiscal year 2021, revenue from rapid COVID-19 antigen tests in the Diagnostics segment amounted to €1,080 million.

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

As of the reporting date, the aggregate amount of transaction prices allocated to performance obligations that were unsatisfied or partially unsatisfied (order backlog) amounted to €27 billion (September 30, 2020: €19 billion). Thereof, €9 billion (September 30, 2020: €6 billion) are expected to be recognized as revenue in the next twelve months.

Intersegment revenue is based on market prices.

	Adjusted EBIT[2]		Assets[3]		Free cash flow		Additions to other intangible assets and property, plant and equipment		Amortization, depreciation and impairments	
	Fiscal year		Sept 30,		Fiscal year		Fiscal year		Fiscal year	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	2,076	1,916	7,698	7,045	2,191	1,810	174	309	178	166
	721	74	5,164	5,179	702	−216	524	541	353	279
	221	–	14,788	–	45	–	6,820	–	29	–
	254	308	1,991	1,934	247	265	17	328	19	18
	3,272	2,298	**29,640**	14,158	**3,185**	1,858	**7,535**	1,179	**579**	464
	−868	−343	12,522	10,936	−925	−487	531	300	460	351
	2,404	1,954	**42,162**	25,094	**2,259**	1,371	**8,065**	1,479	**1,039**	815

Adjusted EBIT

Adjusted EBIT margin is used to manage the operating performance of our segments. Adjusted EBIT margin is defined as the adjusted EBIT of the particular segment concerned, divided by its total adjusted revenue. Adjusted EBIT is the underlying earnings indicator and is defined as income before income taxes, interest income and expenses and other financial income, net, adjusted for the following items since fiscal year 2021:

- expenses for mergers, acquisitions, disposals and other portfolio-related measures, in particular
  - > amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments,
  - > transaction, integration, retention and carve-out costs,
  - > gains and losses from divestments,
- severance charges and
- centrally carried pension service and administration expenses.

Income tax expenses are excluded from the segments' adjusted EBIT because income taxes are subject to legal structures, which typically do not correspond to the segment's structure. Financial income, net, comprises other financing income, net, and any interest income or expenses. Financing income, net, is excluded from the segments' adjusted EBIT because decision-making regarding financing is typically made at the Group level. Expenses for mergers, acquisitions, disposals and other portfolio-related measures and severance charges are not part of adjusted EBIT because they do not affect the operating performance of the segments. Decisions on essential pension items are made centrally. Accordingly, the segments' adjusted EBIT includes amounts related primarily to service cost of pension plans, while other regularly recurring pension related expenses ("centrally carried pension service and administration expenses") are excluded. Certain items that are not indicative of the segments' performance are also excluded from adjusted EBIT, such as items that have a corporate or central character or refer to more than one reportable segment, to corporate treasury or to Siemens Healthineers Real Estate. Costs for support functions are predominantly allocated to the segments.

The reconciliation of total segments' adjusted EBIT to Siemens Healthineers' income before income taxes is given in the table below:

	Fiscal year	
(in millions of €)	2021	2020
Total segments' adjusted EBIT	**3,272**	2,298
Centrally carried pension service and administration expenses	−12	−17
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	−381	−168
Transaction, integration, retention and carve-out costs	−123	−34
Gains and losses from divestments	3	–
Severance charges	−68	−65
Financial income, net	−169	−27
Corporate items	−108	−22
Corporate treasury, Siemens Healthineers Real Estate[1], eliminations and other items	−10	−10
Total reconciliation to consolidated financial statements	**−868**	−343
Siemens Healthineers' income before income taxes	**2,404**	1,954

[1] Siemens Healthineers Real Estate manages Siemens Healthineers' entire real estate business portfolio, operates the properties and is responsible for building projects and for the purchase and sale of real estate.

The line item corporate items includes corporate costs, such as costs of Group management and corporate projects as well as business activities and special topics that were not allocated directly to the segments. This also includes the costs of a special one-time payment announced on September 30, 2021, resolved at Group level, to employees, because the related expenses of €56 million were not caused by the segments and were therefore not included in the measurement of their performance.

Assets

Siemens Healthineers has determined to use segments' assets, defined as net capital employed, as a measure to assess the segments' capital intensity. Segments' assets are based on total assets presented in the consolidated statements of financial position (i.e. including intangible assets acquired in business combinations), which are allocated to the segments, primarily excluding receivables from the Siemens Group from financing activities and tax-related assets, because the corresponding income and expenses are also excluded from the segments' adjusted EBIT. Moreover, the remaining assets are reduced by non-interest-bearing liabilities (e.g. trade payables, contract liabilities and other current liabilities) other than tax-related liabilities.

	Sept 30,	
(in millions of €)	2021	2020
Total segments' assets	**29,640**	14,158
Asset-based adjustments	4,551	5,770
Therein:		
Assets corporate treasury	1,408	739
Assets Siemens Healthineers Real Estate	1,402	945
Receivables from the Siemens Group from non-operating activities	708	3,387
Current income tax assets and deferred tax assets	537	468
Liability-based adjustments	7,971	5,167
Total reconciliation to consolidated financial statements	**12,522**	10,936
Siemens Healthineers' total assets	**42,162**	25,094

Free cash flow

Free cash flow comprises the cash flows from operating activities and additions to intangible assets and property, plant and equipment included in cash flows from investing activities. As with the segments' adjusted EBIT, the segments' free cash flow excludes payments related to income taxes, corporate items and certain other payments.

	Fiscal year	
(in millions of €)	2021	2020
Total segments' free cash flow	**3,185**	1,858
Tax-related cash flow	−808	−512
Corporate items and other	−118	25
Total reconciliation to consolidated financial statements	**−925**	−487
Siemens Healthineers' free cash flow	**2,259**	1,371

Amortization, depreciation and impairments

Amortization, depreciation and impairments include depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets (similarly to segments' adjusted EBIT excluding intangible assets acquired in business combinations), each net of reversals of impairment losses.

Note 30 Information about geographies

The following tables disclose revenue by location of the customer and entity, and the location of non-current assets. Non-current assets consisted of property, plant and equipment, goodwill and other intangible assets.

	Revenue by customer location		Revenue by entity location	
	Fiscal year		Fiscal year	
(in millions of €)	2021	2020	2021	2020
Europe, C.I.S., Africa, Middle East (EMEA)	6,775	4,747	6,935	5,094
Americas	6,407	5,691	6,610	5,665
Asia, Australia	4,815	4,022	4,452	3,701
Total	**17,997**	14,460	**17,997**	14,460
Thereof:				
Germany	1,745	874	2,274	1,418
Foreign countries	16,252	13,586	15,723	13,042
Therein:				
United States	5,466	4,909	5,770	4,937
China	2,354	1,893	2,151	1,716

	Location of non-current assets	
	Sept 30,	
(in millions of €)	2021	2020
Europe, C.I.S., Africa, Middle East (EMEA)	11,407	4,193
Americas	15,708	8,270
Asia, Australia	2,321	1,260
Total	**29,436**	13,724
Thereof:		
Germany	2,212	1,880
Foreign countries	27,224	11,844
Therein:		
United States	15,313	7,920

Note 31 Related party transactions

Siemens Healthineers maintained business relations with the Siemens Group and with joint ventures and associates of both the Siemens Group and Siemens Healthineers. The Siemens Group is a related party, as Siemens AG controls Siemens Healthineers AG.

Transactions with the Siemens Group

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Fiscal year		Fiscal year	
(in millions of €)	2021	2020	2021	2020
Siemens AG	10	5	263	266
Other Siemens Group entities	296	375	236	231
Total	**305**	380	**499**	497

Between Siemens Healthineers and the Siemens Group existed supply and service agreements:

- In fiscal year 2021, Siemens Healthineers obtained support services from the Siemens Group for central corporate services such as tax, legal, IT, corporate communications, human resources, accounting, financial services and treasury with a total value of €304 million (2020: €334 million). For certain services, there were fixed payment obligations over a non-cancelable contract term. As of September 30, 2021, the resulting commitment amounted to €79 million (September 30, 2020: €46 million).
- Siemens Healthineers has entered into leasing transactions with the Siemens Group, mainly for real estate. As of September 30, 2021, total lease liabilities amounted to €71 million (September 30, 2020: €86 million).

Receivables from and liabilities to the Siemens Group

	Current receivables from the Siemens Group		Current liabilities and liabilities to the Siemens Group	
	Sept 30,		Sept 30,	
(in millions of €)	2021	2020	2021	2020
Siemens AG	1	2,720	1,160	1,346
Other Siemens Group entities	711	672	12,480	3,683
Total	**711**	**3,392**	**13,640**	**5,028**

Receivables from and liabilities to the Siemens Group resulted mainly from financing activities:

- Siemens Healthineers was included in the cash pooling and cash management of the Siemens Group. Thereby, Siemens Healthineers invested excess liquidity in the short term and was granted overdraft facilities for financing its operating activities.
- Receivables from Siemens AG decreased mainly due to the use of short-term invested liquid funds for the acquisition of Varian.
- The liabilities to Siemens AG decreased in particular due to the partial repayment in an amount of €300 million of the loan, which was related to the financing of the acquisition of Corindus in fiscal year 2020.
- The liabilities to other Siemens Group entities increased mainly due to additional loans of US$ 10.0 billion in total for the acquisition of Varian. Further, a financing commitment of €1.1 billion was provided. Thereof, €850 million were utilized. The remaining volume was canceled. The repayment of a matured loan in the amount of US$ 0.9 billion had an offsetting effect.

As of March 31, 2021, the bridge facility, provided by other Siemens Group entities for the acquisition of Varian in fiscal year 2020, was fully canceled.

In fiscal year 2021, interest expenses from financing arrangements with Siemens AG amounted to €16 million (2020: €21 million) and from financing arrangements with other Siemens Group entities to €36 million (2020: €22 million). These included positive effects from the hedging of exchange rate risks of the U.S. dollar-denominated loans related to the financing of the acquisition of Varian and from a restructuring of financial liabilities to the Siemens Group in fiscal year 2019. Further, in fiscal year 2021, expenses were incurred related to the bridge facility in a total amount of €28 million (2020: €5 million). With the closing of the acquisition of Varian, the deal contingent forward entered into with the Siemens AG in fiscal year 2020 was settled, leading to expenses of €89 million in other financial income, net.

In fiscal year 2021, interest income from financing arrangements with Siemens AG amounted to €–14 million (2020: €2 million) and from financing arrangements with other Siemens Group entities to €11 million (2020: €3 million).

For further information regarding the financing arrangements with the Siemens Group, please refer to → ***Note 16 Financial debt***.

Other material relationships with the Siemens Group

Hedging

The majority of Siemens Healthineers' hedging activities was carried out with the corporate treasury of the Siemens Group as counterparty. As of September 30, 2021, related other current and other non-current financial assets amounted to €506 million (September 30, 2020: €154 million). In addition, other current and other non-current financial liabilities from hedging activities with the Siemens Group amounted to €47 million (September 30, 2020: €10 million).

For further details, please refer to → ***Note 16 Financial debt*** and to → ***Note 25 Financial instruments and hedging activities***.

Guarantees and letters of support

The Siemens Group issued guarantees for or on behalf of Siemens Healthineers in connection with the operating activities of the Group. As of September 30, 2021, the guarantees issued by Siemens AG and other Siemens Group entities amounted to €17 million (September 30, 2020: €19 million) and €167 million (September 30, 2020: €236 million), respectively. The decline is mainly due to the fact that guarantees from the Siemens Group were successively replaced by own guarantees.

In addition, the Siemens AG provided letters of support to banks and insurance companies, for example in connection with securing guarantee credit lines and overdraft facilities of the Group. As of September 30, 2021, the obligations secured by letters of support amounted to €552 million (September 30, 2020: €452 million).

Share-based payment plans

Siemens Healthineers' employees continued to participate in existing share-based payment plans of the Siemens Group based on Siemens AG shares. For further details, please refer to → ***Note 27 Share-based payment***. Siemens AG delivered the respective shares on behalf of Siemens Healthineers and was reimbursed by Siemens Healthineers.

Joint ventures and associates

In fiscal year 2021, Siemens Healthineers purchased goods and services from its joint ventures and associates in an amount of €72 million (2020: €70 million).

Related individuals

Managing Board and Supervisory Board of the Group

In fiscal year 2021, the members of the Managing Board received cash compensation of €7.9 million (2020: €3.3 million). The fair value at grant date of share-based payment granted in fiscal year 2021 amounted to €5.4 million (2020: €3.0 million) for 242,642 stock awards. Contributions to the Siemens Healthineers BSAV pension plan and other expenses related to pensions plans amounted to €1.5 million (2020: €1.1 million). Thus, compensation and benefits granted in fiscal year 2021 in total amounted to €14.8 million (2020: €7.4 million). In fiscal year 2021, expenses related to share-based payment amounted to €3.6 million (2020: €2.4 million).

As of September 30, 2021, the defined benefit obligation for pension commitments to former members of the Managing Board and its surviving dependents amounted to €0.7 million.

Compensation attributable to members of the Supervisory Board comprised a base compensation and additional compensation for committee work, and amounted (including meeting fees) to €1.3 million in fiscal year 2021 (2020: €1.2 million).

Information regarding the individual compensation of the members of the Managing Board and Supervisory Board of Siemens Healthineers AG is disclosed in the remuneration report.

In fiscal years 2021 and 2020, no other major transactions took place between Siemens Healthineers and the members of the Managing Board and Supervisory Board. Some Managing Board and Supervisory Board members hold, or in the past year have held, positions of significant responsibility with other entities. Siemens Healthineers has relationships with many of these entities in the ordinary course of business.

Managing Board and Supervisory Board of Siemens AG

As of September 30, 2021 and 2020, Siemens Healthineers has been controlled by its ultimate parent company Siemens AG. Therefore, the members of the Managing Board and the Supervisory Board of Siemens AG were regarded as key management. Information about Siemens AG's Managing Board and Supervisory Board is included in the remuneration report of the Siemens Group.

Note 32 Principal accountant fees and services

Fees related to professional services rendered by the principal accountant EY were:

	Fiscal year	
(in millions of €)	**2021**	**2020**
Audit services	9.8	6.6
Other attestation services	0.8	0.3
Total principal accountant fees	**10.6**	**6.8**

In fiscal year 2021, 37% (2020: 42%) of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany. Audit services related primarily to services provided by EY for auditing Siemens Healthineers' consolidated financial statements, for auditing financial statements of Siemens Healthineers AG and its subsidiaries, for reviews of interim financial statements being integrated into the audit and for project-accompanying IT audits. Other attestation services included mainly other attestation services required by law, contractually agreed or requested on a voluntary basis.

Note 33 Corporate Governance

The Managing Board and the Supervisory Board of Siemens Healthineers AG provided the declaration required by Section 161 of the German Stock Corporation Act ("Aktiengesetz") as of September 30, 2021. The declaration is available on the Group's website at → ***www.siemens-healthineers.com/investor-relations/corporate-governance***.

Note 34 List of subsidiaries, joint ventures and associates pursuant to Section 313 (2) of the German Commercial Code

Sept 30, 2021	Equity interest in %
Subsidiaries	
Germany (22 companies)	
Acuson GmbH, Erlangen	100 [5]
BEFUND24 GmbH, Erlangen	85
Dade Behring Grundstücks GmbH, Kemnath	94
NEO New Oncology GmbH, Cologne	100 [7]
Siemens Healthcare Diagnostics Products GmbH, Marburg	100 [7]
Siemens Healthcare GmbH, Munich	100 [7]
Siemens Healthineers Beteiligungen GmbH & Co. KG, Röttenbach	100 [8]
Siemens Healthineers Beteiligungen Verwaltungs-GmbH, Röttenbach	100 [5]
Siemens Healthineers Holding I GmbH, Munich	100
Siemens Healthineers Holding II GmbH, Munich	100 [5]
Siemens Healthineers Innovation GmbH & Co. KG, Röttenbach	100 [8]
Siemens Healthineers Innovation Verwaltungs-GmbH, Röttenbach	100 [5]
Siemens Medical Solutions Health Services GmbH, Grünwald	100
Siemens Real Estate GmbH & Co. KG, Kemnath	94 [8]
Siemens Real Estate Management GmbH, Kemnath	100 [5]
Varian Medical Systems Deutschland GmbH & Co. KG, Darmstadt	100 [8]
Varian Medical Systems Haan GmbH, Haan	100 [7]
Varian Medical Systems München GmbH, Munich	100 [7,9]
Varian Medical Systems Particle Therapy GmbH & Co. KG, Troisdorf	100 [8,9]
VMS Deutschland Holdings GmbH, Darmstadt	100 [7]
Zeleni Holding GmbH, Kemnath	100
Zeleni Real Estate GmbH & Co. KG, Kemnath	100 [8]
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (81 companies)	
Acuson Denmark S/A, Ballerup/Denmark	100 [5]
Acuson France SAS, Saint-Denis/France	100 [5]
Acuson Italy S.r.l., Milan/Italy	100 [5]
Acuson RUS Limited Liability Company, Moscow/Russian Federation	100 [5]
Acuson Slovakia s.r.o., Bratislava/Slovakia	100 [5]
Acuson United Kingdom Ltd., Frimley, Surrey/United Kingdom	100 [5]

Sept 30, 2021	Equity interest in %
CTSI (Mauritius) Ltd., Ebene/Mauritius	100
FAST TRACK DIAGNOSTICS LUXEMBOURG S.à r.l., Esch-sur-Alzette/Luxembourg	100
FTD Europe Ltd, Sliema/Malta	100
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69
PETNET Solutions SAS, Lisses/France	100
Siemens Healthcare (Private) Limited, Lahore/Pakistan	100
Siemens Healthcare A/S, Ballerup/Denmark	100
Siemens Healthcare AB, Solna/Sweden	100
Siemens Healthcare AG, Zurich/Switzerland	100
Siemens Healthcare AS, Oslo/Norway	100
Siemens Healthcare d.o.o. Beograd, Belgrade/Serbia	100
Siemens Healthcare d.o.o., Ljubljana/Slovenia	100
Siemens Healthcare d.o.o., Zagreb/Croatia	100
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	100
Siemens Healthcare Diagnostics Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Manufacturing Limited, Swords, County Dublin/Ireland	100
Siemens Healthcare Diagnostics Manufacturing Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Products Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Employee Share Ownership Trust, Midrand/South Africa	0 [3]
Siemens Healthcare EOOD, Sofia/Bulgaria	100
Siemens Healthcare FZ LLC, Dubai/United Arab Emirates	100
SIEMENS HEALTHCARE INDUSTRIAL AND COMMERCIAL SINGLE MEMBER SOCIETE ANONYME, Chalandri/Greece	100
Siemens Healthcare Kft., Budapest/Hungary	100
Siemens Healthcare L.L.C., Dubai/United Arab Emirates	49 [2]
SIEMENS HEALTHCARE LIMITED LIABILITY COMPANY, Kiev/Ukraine	100
Siemens Healthcare Limited Liability Company, Moscow/Russian Federation	100
Siemens Healthcare Limited Liability Partnership, Almaty/Kazakhstan	100

[1] Control due to a majority of voting rights.
[2] Control due to rights to appoint, reassign or remove members of the key management personnel.
[3] Control due to contractual arrangements to determine the direction of the relevant activities.
[4] No significant influence due to contractual arrangements or legal circumstances.
[5] Not consolidated due to immateriality.
[6] Not accounted for using the equity method due to immateriality.
[7] Exemption pursuant to Section 264b of the German Commercial Code.
[8] Exemption pursuant to Section 264 (3) of the German Commercial Code.
[9] A consolidated affiliated company of Siemens Healthineers AG is a shareholder with unlimited liability of this company.
[10] Values according to the latest available local GAAP financial statements; the underlying fiscal year differs from the Siemens Healthineers fiscal year.

Sept 30, 2021	Equity interest in %
Siemens Healthcare Limited, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Limited, Riyadh/Saudi Arabia	51
Siemens Healthcare Logistics LLC, Cairo/Egypt	100
Siemens HealthCare Ltd., Rosh HaAyin/Israel	100
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100
Siemens Healthcare NV, Beersel/Belgium	100
Siemens Healthcare Oy, Espoo/Finland	100
Siemens Healthcare Proprietary Limited, Halfway House/South Africa	90
Siemens Healthcare S.A.E., Cairo/Egypt	100
Siemens Healthcare S.R.L., Bucharest/Romania	100
Siemens Healthcare S.r.l., Milan/Italy	100
Siemens Healthcare s.r.o., Bratislava/Slovakia	100
Siemens Healthcare Saglik Anonim Sirketi, Istanbul/Turkey	100
Siemens Healthcare SARL, Casablanca/Morocco	100
Siemens Healthcare SAS, Saint-Denis/France	100
Siemens Healthcare Sp. z o.o., Warsaw/Poland	100
SIEMENS HEALTHCARE, S.L.U., Getafe/Spain	100
Siemens Healthcare, s.r.o., Prague/Czech Republic	100
SIEMENS HEALTHCARE, UNIPESSOAL, LDA, Amadora/Portugal	100
Siemens Healthineers Holding III B.V., The Hague/Netherlands	100
Siemens Healthineers Holding IV B.V., The Hague/Netherlands	100
Siemens Healthineers Nederland B.V., The Hague/Netherlands	100
Siemens Medicina d.o.o., Sarajevo/Bosnia and Herzegovina	100
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
V.O.S.S. Varinak Onkoloji Sistemleri Satis Ve Servis Anonim Sirketi, Istanbul/Turkey	100
Varian Medical Systems (RUS) Limited Liability Company, Moscow/Russian Federation	0 [3]
Varian Medical Systems Africa (Pty) Ltd., Midrand/South Africa	100
Varian Medical Systems Algeria Spa., Hydra/Algeria	49 [1]
Varian Medical Systems Arabia Commercial Limited, Riyadh/Saudi Arabia	75
Varian Medical Systems Belgium NV, Machelen/Belgium	100
Varian Medical Systems Finland OY, Helsinki/Finland	100
Varian Medical Systems France SARL, Le Plessis-Robinson/France	100
Varian Medical Systems Gesellschaft mbH, Brunn am Gebirge/Austria	100
Varian Medical Systems Hungary Kft., Budapest/Hungary	100
Varian Medical Systems Iberica SL, Alcobendas/Spain	100
Varian Medical Systems Imaging Laboratory G.m.b.H., Dättwil/Switzerland	100
Varian Medical Systems International AG, Steinhausen/Switzerland	100
Varian Medical Systems Italy SpA, Segrate/Italy	100
Varian Medical Systems Mauritius Ltd., Ebene/Mauritius	100
Varian Medical Systems Nederland B.V., Houten/Netherlands	100
Varian Medical Systems Nederland Finance B.V., Houten/Netherlands	100
Varian Medical Systems Poland Sp. z o.o., Warsaw/Poland	100
Varian Medical Systems Scandinavia AS, Herlev/Denmark	100
Varian Medical Systems UK Holdings Limited, Crawley, West Sussex/United Kingdom	100
Varian Medical Systems UK Limited, Crawley, West Sussex/United Kingdom	100
Varinak Bulgaria EOOD, Sofia/Bulgaria	100
Varinak Europe SRL (Romania), Pantelimon/Romania	100
VMS Kenya, Ltd, Nairobi/Kenya	100
Americas (46 companies)	
Acuson, LLC, Wilmington, DE/United States	100 [5]
Corindus, Inc., Wilmington, DE/United States	100
D3 Oncology Inc., Wilmington, DE/United States	100
Dade Behring Hong Kong Holdings Corporation, Tortola/British Virgin Islands	100
Dedicated2Imaging LLC, Wilmington, DE/United States	80
ECG Acquisition, Inc., Wilmington, DE/United States	100
ECG TopCo Holdings, LLC, Wilmington, DE/United States	73
EPOCAL INC., Toronto/Canada	100
Executive Consulting Group, LLC, Wilmington, DE/United States	100
J. Restrepo Equiphos S.A.S, Bogotá/Colombia	100
Mansfield Insurance Company, Burlington, VT/United States	100
Monarch Capital, Limited, Grand Cayman/Cayman Islands	100

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[5] Not consolidated due to immateriality.
[6] Not accounted for using the equity method due to immateriality.
[7] Exemption pursuant to Section 264b of the German Commercial Code.
[8] Exemption pursuant to Section 264 (3) of the German Commercial Code.
[9] A consolidated affiliated company of Siemens Healthineers AG is a shareholder with unlimited liability of this company.
[10] Values according to the latest available local GAAP financial statements; the underlying fiscal year differs from the Siemens Healthineers fiscal year.

Sept 30, 2021	Equity interest in %
P.E.T.NET Houston, LLC, Austin, TX/United States	51
Page Mill Corporation, Boston, MA/United States	100
PETNET Indiana, LLC, Indianapolis, IN/United States	50[1]
PETNET Solutions Cleveland, LLC, Wilmington, DE/United States	63
PETNET Solutions, Inc., Knoxville, TN/United States	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	100
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100
Siemens Healthcare Laboratory, LLC, Wilmington, DE/United States	100
Siemens Healthcare Limited, Oakville/Canada	100
Siemens Healthcare S.A., Buenos Aires/Argentina	100
Siemens Healthcare S.A., Caracas/Venezuela	100[5]
Siemens Healthcare S.A.C., Surquillo/Peru	100
Siemens Healthcare S.A.S., Tenjo/Colombia	100
Siemens Healthcare, Sociedad Anonima, Antiguo Cuscatlán/El Salvador	100
Siemens Healthineers Holdings, LLC, Wilmington, DE/United States	100
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	100
Siemens S.A., Montevideo/Uruguay	100
Siemens-Healthcare Cia. Ltda., Quito/Ecuador	100
Talent Choice Investment Limited, George Town/Cayman Islands	100
Varian BioSynergy, Inc., Wilmington, DE/United States	100
Varian Medical Systems Africa Holdings, Inc., Wilmington, DE/United States	100
Varian Medical Systems Brasil Ltda., São Paulo/Brazil	100
Varian Medical Systems Canada Holdings, Inc., Wilmington, DE/United States	100
Varian Medical Systems Canada, Inc., Ottawa/Canada	100
Varian Medical Systems India Private Limited, Wilmington, DE/United States	100
Varian Medical Systems International Holdings, Inc., Wilmington, DE/United States	100
Varian Medical Systems Latin America, Ltd., Wilmington, DE/United States	100

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[2] Control due to rights to appoint, reassign or remove members of the key management personnel.
[3] Control due to contractual arrangements to determine the direction of the relevant activities.
[4] No significant influence due to contractual arrangements or legal circumstances.
[5] Not consolidated due to immateriality.

Sept 30, 2021	Equity interest in %
Varian Medical Systems Netherlands Holdings, Inc., Wilmington, DE/United States	100
Varian Medical Systems Pacific, Inc., Wilmington, DE/United States	100
Varian Medical Systems Puerto Rico, LLC, Guaynabo/Puerto Rico	100
Varian Medical Systems, Inc., Wilmington, DE/United States	100
Asia, Australia (51 companies)	
Acrorad Co., Ltd., Okinawa/Japan	96
Acuson (Shanghai) Co., Ltd., Shanghai/China	100[5]
Acuson Korea Ltd., Seongnam-si/Korea	100[5]
Acuson Singapore Pte. Ltd., Singapore/Singapore	100[5]
American Institute of Pathology and Laboratory Sciences Private Limited, Hyderabad/India	100
Artmed Healthcare Private Limited, Hyderabad/India	100
Asiri A O I Cancer Centre (Private) Limited, Colombo/Sri Lanka	50[2]
Cancer Treatment Services Hyderabad Private Limited, Hyderabad/India	100
Fang Chi Health Management Co., Ltd, Taipei/Taiwan, Province of China	100
Hangzhou Alicon Pharm Sci & Tec Co., Ltd., Hangzhou/China	100
Hong Tai Health Management Co. Ltd., Taipei/Taiwan, Province of China	100
New Century Technology Co. Ltd., Taipei/Taiwan, Province of China	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., Mumbai/India	100
PT Siemens Healthineers Indonesia, Jakarta/Indonesia	100
Scion Medical Limited, Hong Kong/Hong Kong	100
Scion Medical Technologies (Shanghai) Ltd., Shanghai/China	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai/China	100
Siemens Healthcare Inc., Manila/Philippines	100
Siemens Healthcare K.K., Tokyo/Japan	100
Siemens Healthcare Limited, Auckland/New Zealand	100
Siemens Healthcare Limited, Bangkok/Thailand	100
Siemens Healthcare Limited, Ho Chi Minh City/Viet Nam	100
Siemens Healthcare Limited, Hong Kong/Hong Kong	100

[6] Not accounted for using the equity method due to immateriality.
[7] Exemption pursuant to Section 264b of the German Commercial Code.
[8] Exemption pursuant to Section 264 (3) of the German Commercial Code.
[9] A consolidated affiliated company of Siemens Healthineers AG is a shareholder with unlimited liability of this company.
[10] Values according to the latest available local GAAP financial statements; the underlying fiscal year differs from the Siemens Healthineers fiscal year.

Sept 30, 2021	Equity interest in %
Siemens Healthcare Limited, Taipei/Taiwan, Province of China	100
Siemens Healthcare Ltd., Dhaka/Bangladesh	100
Siemens Healthcare Private Limited, Mumbai/India	100
Siemens Healthcare Pte. Ltd., Singapore/Singapore	100
Siemens Healthcare Pty. Ltd., Melbourne/Australia	100
Siemens Healthcare Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Healthineers Diagnostics (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers Digital Technology (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers India LLP, Bangalore/India	100
SIEMENS HEALTHINEERS INDIA MANUFACTURING PRIVATE LIMITED, Mumbai/India	100 [5]
Siemens Healthineers Ltd., Seoul/Korea	100
Siemens Healthineers Ltd., Shanghai/China	100
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	100
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	100
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	90
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	100
Varian Medical Systems Australasia Pty Ltd., Belrose/Australia	100
Varian Medical Systems China Co., Ltd., Beijing/China	100
Varian Medical Systems International (India) Private Limited, Mumbai/India	100
Varian Medical Systems K.K., Tokyo/Japan	100
Varian Medical Systems Korea, Inc., Seoul/Korea	100

Sept 30, 2021	Equity interest in %
Varian Medical Systems Malaysia Sdn Bhd, Kuala Lumpur/Malaysia	100
Varian Medical Systems Philippines, Inc., City of Pasig/Philippines	100
Varian Medical Systems Taiwan Co., Ltd., Taipei/Taiwan, Province of China	100
Varian Medical Systems Trading (Beijing) Co., Ltd., Beijing/China	100
Varian Medical Systems Vietnam Co Ltd, Ho Chi Minh City/Viet Nam	100
Vertice Investment Limited, Hong Kong/Hong Kong	100
Joint ventures and associates	
Germany (2 companies)	
MeVis BreastCare GmbH & Co. KG, Bremen	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49 [6]
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (3 companies)	
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31
Meomed s.r.o., Prerov/Czech Republic	47 [6]
TRIXELL SAS, Moirans/France	25
Americas (2 companies)	
PhSiTh LLC, New Castle, DE/United States	33
USARAD Holdings, Inc., Fort Lauderdale, FL/United States	30 [6]
Asia, Australia (2 companies)	
HEALTH CONTINUUM PRIVATE LIMITED, Bangalore/India	30 [6]
Xi'An X-Ray Target Ltd., Xi'an/China	43 [6]

Sept 30, 2021	Equity interest in %	Net income in millions of €	Equity in millions of €
Other Investments			
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (1 company)			
Medical Systems S.p.A., Genoa/Italy [10]	45 [4]	12	122
Americas (3 companies)			
Babson Diagnostics, Inc., Dover, DE/United States [10]	20 [4]	−4	7
Berkeley Lights, Inc., Dover, DE/United States [10]	0	−36	211
Imricor Medical Systems, Inc., Dover, DE/United States [10]	7	−11	25

[1] Control due to a majority of voting rights.
[2] Control due to rights to appoint, reassign or remove members of the key management personnel.
[3] Control due to contractual arrangements to determine the direction of the relevant activities.
[4] No significant influence due to contractual arrangements or legal circumstances.
[5] Not consolidated due to immateriality.
[6] Not accounted for using the equity method due to immateriality.
[7] Exemption pursuant to Section 264b of the German Commercial Code.
[8] Exemption pursuant to Section 264 (3) of the German Commercial Code.
[9] A consolidated affiliated company of Siemens Healthineers AG is a shareholder with unlimited liability of this company.
[10] Values according to the latest available local GAAP financial statements; the underlying fiscal year differs from the Siemens Healthineers fiscal year.

C.

Additional information

C.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group's management report, which has been combined with the management report for Siemens Healthineers AG, 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.

Munich, November 23, 2021

Siemens Healthineers AG
The Managing Board

Dr. Bernhard Montag

Darleen Caron

Dr. Jochen Schmitz

Dr. Christoph Zindel

C.2 Independent auditor's report

To Siemens Healthineers AG, Munich

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Siemens Healthineers AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2020 to September 30, 2021, the consolidated statements of financial position as of September 30, 2021, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2020 to September 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Siemens Healthineers AG, which is combined with the management report of Siemens Healthineers AG, for the fiscal year from October 1, 2020 to September 30, 2021. In accordance with the German legal requirements we have not audited the content of chapter → ***A.7.4 Corporate Governance statement*** of the Combined Management Report, including chapter → ***C.4 Corporate governance statement*** of the Annual Report 2021 referred to in chapter → ***A.7.4 Corporate Governance statement***.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] as well as with full IFRSs as issued by the International Accounting Standards Board (IASB), and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of September 30, 2021 and of its financial performance for the fiscal year from October 1, 2020 to September 30, 2021, and
- the accompanying group management report, as a whole, provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). In conducting the audit of the consolidated financial statements we also complied with International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2020 to September 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Accounting for the acquisition of Varian Medical Systems, Inc.

Reasons why the matter was determined to be a key audit matter: The acquisition of Varian Medical Systems, Inc., USA (Varian), was completed on April 15, 2021. Since then, Siemens Healthineers AG holds all shares in Varian. The acquisition was accounted for in accordance with IFRS 3, Business Combinations, on the basis of a preliminary purchase price allocation. To finance the acquisition, Siemens Healthineers carried out a further capital increase in fiscal year 2021 by issuing new shares. Furthermore, Siemens Group granted loans denominated in USD and EUR. To hedge foreign currency risks in connection with the acquisition and its financing, Siemens Healthineers entered into hedging transactions with Siemens Group which were designated as hedging instruments in hedging relationships.

The accounting for the acquisition, including financing and hedging of foreign currency risks, was a key audit matter due to the estimation uncertainties and judgments involved in the preliminary purchase price allocation (particularly regarding the measurement of acquired intangible assets) and due to the overall significant impact on the assets, liabilities, financial position and financial performance of the Group, the complexity of the transaction and the associated significant risk of material misstatement.

Auditor's response: Our audit procedures in relation to the preliminary purchase price allocation included the assessment of the consideration transferred by Siemens Healthineers and an evaluation of the methodology applied by the external appraiser engaged by management with respect to the identification and valuation of the assets acquired and liabilities assumed in accordance with the requirements of IFRS 3. We assessed the suitability of the preliminary external appraisal as audit evidence, among other things, through inquiries of management as well as of the external appraiser. With the assistance of internal valuation specialists, we also analyzed whether the assumptions and estimates (particularly growth rates, cost of capital, royalty rates and remaining useful lives) used in determining the fair values of the identifiable assets acquired (particularly the acquired customer relationships and trade names as well as technologies) and liabilities assumed correspond to general and industry-specific market expectations. In addition, we used the expertise of internal industry specialists for the assessment of the recognition and valuation of identified intangible assets and liabilities assumed. Further, we reperformed the calculations in the valuation models and reconciled the expected future cash flows underlying the valuations with, inter alia, internal business plans. As part of our audit procedures, we also assessed the earnings effects in fiscal year 2021 resulting from the subsequent accounting for assets acquired and liabilities assumed, particularly taking into account the remaining useful lives of the acquired assets.

As part of our audit of the accounting for the capital increase, we compared the change in equity with the underlying resolutions of the Managing Board and the Supervisory Board of Siemens Healthineers, the register entries as well as other contractual agreements with third parties. For the USD and EUR loans received from Siemens Group, we compared the recognized amounts with the respective underlying contractual agreements. With regard to the accounting for hedging relationships, we assessed whether the requirements for hedge accounting in accordance with IFRS 9, Financial Instruments, were satisfied based on the documentation prepared by Siemens Healthineers and the underlying contractual agreements. We also assessed the accounting for hedging relationships and reconciled the amounts with the respective line items in the consolidated statement of financial position, consolidated statement of income and consolidated statement of comprehensive income. In this context, we further assessed the methodology applied to determine the fair values of hedging instruments and the clerical accuracy of the respective calculations.

Furthermore, we assessed the application of uniform accounting policies, tax effects resulting from the acquisition and the accounting for the first-time consolidation of the Varian entities in the consolidation system. In addition, we assessed the acquisition-related disclosures (including financing and hedging) in the notes to the consolidated financial statements taking into account the respective IFRS requirements.

Our audit procedures did not lead to any reservations relating to the accounting for the acquisition of Varian.

Reference to related disclosures: With regard to the accounting and measurement policies applied in connection with the business combination refer to → ***Note 2 Accounting policies*** in the notes to the consolidated financial statements. An explanation of the transaction including the related financing and hedging transactions as well as disclosures on the preliminary purchase price allocation are included in → ***Note 3 Acquisitions***, → ***Note 16 Financial debt***, → ***Note 23 Equity*** and → ***Note 25 Financial instruments and hedging activities*** in the notes to the consolidated financial statements.

Revenue recognition

Reasons why the matter was determined to be a key audit matter: The Group's revenue stems from the sale of imaging, diagnostics and therapy products and related maintenance and other services. In fiscal year 2021, significant additional revenue resulted from the sale of rapid COVID-19 antigen tests. Financial management and measurement of the operating results of the segments is based on comparable revenue growth and adjusted EBIT-margin. The development of these key performance indicators is primarily determined by the amount of revenue recognized. In view of the materiality of revenue and its significance for the financial management of the Group, we consider revenue recognition to be an area posing a significant risk of material misstatement (including the potential risk of managers circumventing controls) and one of the key audit matters.

Auditor's response: As part of our audit, we identified all significant revenue streams subject to different processes, risks and controls. For these revenue streams we assessed the different revenue recognition processes and the effectiveness of the accounting-related internal control system in relation to revenue recognition. We planned the nature, timing and scope of substantive audit procedures according to our individual assessment of the risk inherent in the different revenue streams. Our substantive procedures primarily involved analyses of disaggregated data to determine whether there are any unexpected discrepancies between revenue, cost of sales and trade receivables or contract assets, or any significant or extraordinary changes in key performance indicators (e.g., revenue or gross profit). We also performed correlation analyses and cut-off analyses of revenue transactions around the reporting date. We supplemented data analytics with sample testing specifically focusing on revenues for imaging and therapy products as well as revenues related to the sale of rapid COVID-19 antigen tests and assessed the amount and timing of revenue recognized on the basis of contracts, invoices and delivery notes. As part of these procedures, we also obtained external customer confirmations and reviewed credit notes issued after the reporting date.

Our audit procedures did not lead to any reservations relating to the recognition of revenue from the sale of products and the provision of services.

Reference to related disclosures: With regard to the recognition and measurement policies applied for the recognition of revenue, refer to → ***Note 2 Accounting policies*** in the notes to the consolidated financial statements.

Recoverability of goodwill and capitalized development costs

Reasons why the matter was determined to be a key audit matter: Testing impairment for goodwill and capitalized development costs involves considerable judgment in estimating future cash flows and discount rates. Estimation uncertainty in relation to future net cash flows exists also due to the impact of COVID-19 pandemic. Consequently, the recoverability of goodwill and capitalized development costs was one of the key audit matters.

Auditor's response: To assess the recoverable amounts of goodwill and capitalized development costs determined by management, we examined the underlying processes. We obtained an understanding of the underlying valuation models used to determine the recoverable amounts by verifying the applied methodology and arithmetical correctness. To assess estimates of future net cash flows, we reconciled approved budgets with the valuations provided to us. We also examined whether the budget reflects general, industry and product-specific market expectations, including potential COVID-19 impacts. We performed a budget-to-actual comparison of historically forecasted data and actual results, where available, on a sample basis to assess forecast accuracy. We examined the inputs used to estimate recoverable amounts, such as the estimated growth rates and the discount rates, by comparing them with publicly available market data and assessing them in light of changes in key assumptions, including future market conditions.

We also performed sensitivity analyses to assess the impairment risk in case of changes in significant assumptions. In addition, we analyzed the disclosures in the notes to the consolidated financial statements on the measurement of goodwill in relation to the requirements of IAS 36. We consulted internal valuation specialists to assess the recoverable amounts.

Our audit procedures did not lead to any reservations relating to the recoverability of goodwill and capitalized development costs.

Reference to related disclosures: With regard to the testing of impairment of goodwill and other intangible assets, including capitalized development costs, refer to → ***Note 2 Accounting policies*** in the notes to the consolidated financial statements. For explanatory notes on goodwill and other intangible assets, refer to the disclosures in → ***Note 12 Goodwill*** and → ***Note 13 Other intangible assets and property, plant and equipment*** in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in the Annual Report 2021. Management and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the Corporate Governance Code, which is part of the Corporate Governance Statement. In all other respects, management is responsible for the other information. The other information comprises the Corporate Governance statement referred to above.

In addition, the other information comprises parts to be included in the Annual Report, of which we received a version prior to issuing this auditor's report, in particular:

- the Responsibility Statement in chapter
  → ***C.1 Responsibility statement*** of the Annual Report 2021,
- the Report of the Supervisory Board in chapter
  → ***C.3 Report of the Supervisory Board*** of the Annual Report 2021,
- Notes and forward-looking statements in chapter
  → ***C.5 Notes and forward-looking statements*** of the Annual Report 2021.

but not the consolidated financial statements, not the disclosures of the combined management report whose content is audited and not our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Supervisory Board for the consolidated financial statements and the group management report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, as well as with full IFRSs as issued by the IASB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as management has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, management is responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as management has considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation as well as in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW and in supplementary compliance with ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB as well as with full IFRSs as issued by the IASB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the group management report prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in file „siemenshealthineers-2021-09-30-de.zip" (SHA-256-checksum: 17b8662c77c76d8ec2c34c6d3871c62971b86b 1c08d4c8a286cf10040e732ff3) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from October 1, 2020 to September 30, 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: "Requirements for Quality Management in the Audit Firm" (IDW QS 1).

Responsibilities of management and the Supervisory Board for the ESEF documents

Management is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, management is responsible for such internal control as it has determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual Shareholders' Meeting on February 12, 2021. We were engaged by the Supervisory Board on March 8, 2021. We have been the group auditor of Siemens Healthineers AG without interruption since the fiscal year from October 1, 2017 to September 30, 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Other matter – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Siegfried Keller.

Munich, November 23, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Keller	Dr. Eisele
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

C.3 Report of the Supervisory Board

Dear Shareholders,

2021 was another exceptional year for Siemens Healthineers. In the second year of the COVID-19 pandemic, the Company demonstrated more than ever the important role it plays in society, particularly with its takeover of cancer specialist Varian Medical Systems, Inc. (hereinafter referred to as "Varian") in April – one of the biggest acquisitions the sector has seen. This move served to reinforce Siemens Healthineers' position as a holistic partner to the healthcare industry. The merger of the two teams resulted in a unique company with a unique portfolio that comprises clinical imaging, laboratory diagnostics, AI solutions, and expertise for the diagnosis and treatment of cancer and other chronic diseases. The combination of Siemens Healthineers and Varian is also a pledge to help millions of patients worldwide in their battle against cancer.

Alongside this external expansion of our offerings, the Company has also been extremely successful in driving forward its own research and development. Thus, in November, Siemens Healthineers announced a breakthrough in medical imaging in the form of the first photon-counting computed tomography scanner. The U.S. Food and Drug Administration (FDA) has even referred to this development as the "first significant new technology for computed tomography in nearly a decade". With this groundbreaking innovation, which the development team worked on for more than 15 years, the Company has set new standards in radiology. Thanks to novel and pioneering detector technology, medical imaging has been raised to a previously unknown level of precision, at the same time significantly reducing radiation and the dosage of contrast media for patients.

2021 also saw the Company play a significant role in the successful handling of the pandemic through the provision of millions of antigen self-tests. The relevance and innovation capability of Siemens Healthineers was reflected not least by its inclusion in Germany's benchmark DAX index in September 2021. This step appears further justified by the share's outstanding performance in fiscal year 2021, with gains of nearly 50 %.

Prior to this development, we took into account legal changes applicable to listed companies. In this context, the Supervisory Board resolved on a new compensation system for the Managing Board and this has been in effect since the start of fiscal year 2021 after approval by a large majority at the Annual Shareholders' Meeting on February 12, 2021. This new compensation system will help promote the implementation of our business strategy and the sustainable growth of Siemens Healthineers in the long term. It will also benefit our shareholders, who have a stake in the success of the Company.

Against a backdrop of increasing challenges within the healthcare sector and the growing importance of the Company for this infrastructure that is so critical in both humanitarian and economic terms, I am delighted that we were able to enlarge the Supervisory Board in 2021 with the addition of Peer M. Schatz, an IT and biotechnology expert of global repute. As Chairman of the Supervisory Board, it has been a great pleasure, together with my colleagues, to contribute to the positive growth of Siemens Healthineers.

In the fiscal year under review, all of us on the Supervisory Board executed, with due diligence, the duties assigned to us by law, by the Siemens Healthineers articles of association and our own bylaws, also taking into account the German Corporate Governance Code ("GCGC"). In this respect, we assisted and monitored the Managing Board in its management of the Company.

The Managing Board involved us in a direct, timely and comprehensive manner in all decisions of a fundamental nature. By means of written and verbal reports, both during and outside of meetings, the Managing Board provided us with regular, prompt and thorough information. We were informed of all relevant aspects of the Company's business planning (including financial, investment and personnel planning), financial position and profitability.

The Supervisory Board and its relevant committees examined and deliberated in detail on the proposals made by the Managing Board. Deviations of the course of business from plans were explained to us in detail and discussed in depth.

As Chairman of the Supervisory Board, I maintained regular contact with the Managing Board between meetings, in particular with the Chief Executive Officer, and conferred with him on issues of strategy, business development, the risk situation, risk management and compliance.

The Supervisory Board held regular meetings, also in the absence of members of the Managing Board, especially to discuss Supervisory Board matters and personnel issues affecting the Managing Board.

Topics at the plenary meetings of the Supervisory Board

The Supervisory Board held seven regular meetings and adopted three resolutions by written circulation in fiscal year 2021. Topics of discussion at our regular plenary meetings were the net assets, financial position and results of operations of Siemens Healthineers, including the effects of the COVID-19 pandemic, and the Company's workforce trend.

After in-depth consultations at our meeting on October 2, 2020, we approved the Managing Board's medium-term plan and budget for 2021, and examined in this context the second phase of Strategy 2025 ("Upgrading").

At the meeting on October 30, 2020, we discussed the key financial data for the fourth quarter and for fiscal year 2020. We also dealt with the current planning status of the integration of Varian. The Supervisory Board also determined the compensation for the members of the Managing Board for fiscal year 2020 on the basis of the calculated target achievement. We also adopted the targets for the Managing Board's compensation for fiscal year 2021 on the basis of the proposal made by the Chairman's Committee.

On November 20, 2020, we dealt with the financial statements and combined management report for Siemens Healthineers AG and the Group for the year ended September 30, 2020; the report on relationships with affiliated companies as of September 30, 2020, pursuant to Section 312 of the German Stock Corporation Act; the 2020 Annual Report, including the report of the Supervisory Board, the compensation report and the corporate governance report; and the agenda for the Annual Shareholders' Meeting on February 12, 2021. We also discussed the proposal to the Annual Shareholders' Meeting to confirm the existing compensation system for the Supervisory Board. In addition, we examined the current status of the Corindus Vascular Robotics (Advanced Therapies) and ECG Management Consultants (global Enterprise Services business) integration projects. As regards Varian, we discussed the key integration planning steps up to conclusion of the transaction. We also dealt with the current status of business activities in the Laboratory Diagnostics area.

At the meeting on January 29, 2021, the Managing Board reported on the net assets, financial position and results of operations as of the end of the first fiscal quarter, including the effects of the COVID-19 pandemic. We also discussed the Annual Shareholders' Meeting 2021 and the next steps in planning the integration of Varian. In addition, we examined the details of the proposed appointment of Ms. Darleen Caron to the Managing Board and subsequently passed the resolution regarding her appointment.

At the meeting on April 30, 2021, the Managing Board reported to us on the net assets, financial position and results of operations as of the end of the second quarter, including current developments as regards the COVID-19 pandemic. We also took up the issue of Varian again, examining the individual steps leading to conclusion of the transaction (closing) on April 15, 2021 and discussing the subsequent implementation phase.

In addition to dealing with the Managing Board's report on the net assets, financial position and results of operations as of the end of the third quarter, including the COVID-19 issue, at our meeting on July 29, 2021, we also reviewed the results of our questionnaire-based self-assessment. Other topics discussed at the meeting included the integration of Varian and the strategic project to define new long-term goals (New Ambition).

The meeting on September 27, 2021, focused on the budget 2022 and on various aspects of the strategic project to define new long-term goals (New Ambition). Furthermore, we examined the German Act to Strengthen Financial Market Integrity (Gesetz zur Stärkung der Finanzmarktintegrität) in relation to its impact on the Company. We also approved the latest Declaration of Conformity with the GCGC, prepared in accordance with Section 161 of the German Stock Corporation Act.

Work in the Supervisory Board committees

In order to perform our duties efficiently, we have established a total of four committees, which prepare proposals for resolutions and issues to be dealt with at the Supervisory Board's plenary meetings. Some of the Supervisory Board's decision-making powers have also been delegated to these committees within the permissible legal framework. The committee chairs report to the Supervisory Board on their committees' work at the subsequent Board meeting. Details of the members and the tasks of the individual Supervisory Board committees are provided in → ***C.4.1.2 Composition and working methods of the Supervisory Board.***

The ***Chairman's Committee*** met ten times in the reporting period (three of these meetings were extraordinary). It also adopted two resolutions by written circulation. Between meetings, the Chairman of the Supervisory Board discussed topics of major importance with the members of the Chairman's Committee. The Chairman's Committee concerned itself, in particular, with personnel issues, such as the appointment of a new Managing Board member and the reallocation of responsibilities among the Managing Board members. It also dealt with the Managing Board compensation, the compensation system for the Managing Board, including its implementation, and the compensation system for the Supervisory Board. The Chairman's Committee was also involved in organizing the capital increase required to finance the acquisition of Varian. In the process, the Chairman's Committee either adopted certain appropriate resolutions itself, or prepared resolutions requiring adoption by the Supervisory Board.

The ***Innovation and Finance Committee*** met four times during the reporting period. Its discussions centered on the Company's innovation and digitalization strategy, and on capital expenditure projects. The latter primarily concerned modernization of the production landscape. The committee also regularly discussed the reports of the business units.

The ***Audit Committee*** met six times during the reporting period (with one meeting being extraordinary). Together with the Managing Board and the independent auditors, the committee discussed the annual financial statements, consolidated financial statements and combined management report for Siemens Healthineers AG and the Group for fiscal year 2020, and the half-year financial report and quarterly statements for fiscal year 2021. In the presence of the independent auditors, the Audit Committee also discussed the audit reports on the annual financial statements, the consolidated financial statements and the combined management report, and the report on the auditors' review of the Group's half-year consolidated financial statements and of the interim Group management report. The committee engaged the independent auditors to audit the annual and consolidated financial statements for fiscal year 2021 and to review the interim financial statements and financial information; it defined the focal points for the audits and determined the auditors' fee. The committee monitored the selection, independence, qualification, rotation and efficiency of the independent auditors. In the course of this, the quality of the audit of the financial statements was also evaluated.

In view of the Wirecard case, a particular subject of discussion for the Audit Committee during the reporting period was the role of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as the auditors of Wirecard AG. The Audit Committee questioned the auditors on this matter and evaluated the effects on Siemens Healthineers AG. Nothing was identified that could hinder the appointment of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditors of the Company's financial statements for fiscal year 2021.

The Audit Committee also dealt with the Company's accounting and accounting process, the suitability and effectiveness of the risk management and internal control systems, the effectiveness, resources, findings and audit plan for the internal audit, and also the reports concerning compliance, regulatory compliance, and potential and pending legal disputes.

The ***Related-Party Transactions Committee*** met once during the reporting period. The meeting focused on centralizing and simplifying the Siemens Healthineers Group's financing structure and on the associated transactions.

Personalized disclosure of the individual Supervisory Board members' attendance rates

For the fiscal year overall, the participation rate of members in meetings of the Supervisory Board and its committees was 100 %.

(Number of meetings/participation in %)	Supervisory Board (plenary meetings)		Chairman´s Committee		Audit Committee		Innovation and Finance Committee		Related-Party Transactions Committee	
	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %
Prof. Dr. Ralf P. Thomas Chairman	7/7	100	10/10	100	6/6	100	4/4	100		
Dr. Norbert Gaus Deputy Chairman	7/7	100	10/10	100			4/4	100		
Dr. Roland Busch	7/7	100					4/4	100		
Dr. Marion Helmes	7/7	100			6/6	100			1/1	100
Dr. Andreas C. Hoffmann	7/7	100	10/10	100	6/6	100			1/1	100
Dr. Philipp Rösler	7/7	100								
Peer M. Schatz (since March 23, 2021)	3/3	100					2/2	100		
Dr. Nathalie von Siemens	7/7	100								
Dr. Gregory Sorensen	7/7	100					4/4	100		
Karl-Heinz Streibich	7/7	100					4/4	100	1/1	100
		100		**100**		**100**		**100**		**100**

Corporate Governance

We regularly monitor the application and ongoing development of our system of corporate governance. Detailed information on corporate governance at the Company, including the composition of the Supervisory Board, can be found in → ***C.4 Corporate governance statement***.

The Declaration of Conformity with the GCGC adopted on September 30, 2021, was made permanently available to shareholders on the Company's website. It is also reproduced in → ***C.4.4 Declaration of conformity with the German Corporate Governance Code***.

Audit of the annual and consolidated financial statements discussed in detail

The auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany), audited the annual financial statements of Siemens Healthineers AG, the consolidated financial statements of Siemens Healthineers and the combined management report for Siemens Healthineers AG and the Group for fiscal year 2021 and issued an unqualified opinion. The annual financial statements of Siemens Healthineers AG and the combined management report for Siemens Healthineers AG and the Group were prepared in accordance with the requirements of German law. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the additional requirements of German law set out in Section 315e (1) of the German Commercial Code ("Handelsgesetzbuch"). The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board (IASB). The auditors conducted their audit in accordance with Section 317 of the German Commercial Code, the EU Audit Regulation and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), as well as in supplementary compliance with the International Standards on Auditing (ISA). The aforementioned documents, as well as the Managing Board's proposal for the appropriation of net income, were submitted to us in advance by the Managing Board. The Audit Committee discussed the dividend proposal in detail at its meeting on November 2, 2021. It discussed the annual financial statements, the consolidated financial statements and the combined management report in detail at its meeting on November 24, 2021. In this context, the Audit Committee concerned itself, in particular, with key audit matters as described in the independent auditors' report, including the audit procedures implemented.

The auditors' reports were presented to all members of the Supervisory Board. We reviewed these reports comprehensively at our meeting on November 24, 2021, in the presence of the independent auditors. The independent auditors reported on the scope, focal points and main findings of their audit, addressing, in particular, key audit matters and the audit procedures implemented. No major weaknesses in the risk management or internal control systems were reported. At the same meeting, the Managing Board explained the financial statements of Siemens Healthineers AG and the Group as well as the risk management system. Another topic addressed at this meeting was the quality evaluation of the audit of the financial statements. The Audit Committee performed an evaluation based on previously determined audit quality indicators. On the basis of this evaluation, the Supervisory Board approved the proposal to be submitted to the Annual Shareholders' Meeting regarding the election of the independent auditors, taking into account the Audit Committee's recommendation.

The Supervisory Board concurs with the results of the audit. Based on the definitive result of the Audit Committee's pre-examination and our own examination, we have no objections. The Managing Board prepared the annual financial statements and the consolidated financial statements. We approved the annual financial statements and the consolidated financial statements. In view of our approval, the annual financial statements of Siemens Healthineers AG are adopted as submitted. The Managing Board has proposed that the net income available for distribution be used to pay out a dividend of €0.85 per share entitled to a dividend and that the amount of net income attributable to shares of stock not entitled to receive a dividend for the past fiscal year be carried forward. We have endorsed this proposal.

The compensation report was audited separately by the auditors. Besides the statutorily required formal examination pursuant to section 162 (1 and 2) of the German Stock Corporation Act the compensation report was also audited in content. The auditors were commissioned to do so by the Supervisory Board in its meeting on September 27, 2021.

Details on the compensation report can be found at → ***www.siemens-healthineers.com/investor-relations/corporate-governance***.

Review of the Managing Board's report on relationships with affiliated companies

As of the end of the fiscal year, Siemens AG (directly and indirectly) held just over 75 % of the issued capital of Siemens Healthineers AG. Siemens Healthineers AG is included as a fully consolidated subsidiary in Siemens AG's consolidated financial statements.

For that reason, the Managing Board of Siemens Healthineers AG prepared a report on relationships with affiliated companies (dependent company report) for the fiscal year 2021 in accordance with Section 312 of the German Stock Corporation Act, and submitted it in good time to the Supervisory Board. The dependent company report was audited by the independent auditors. Since, on the basis the final results of the audit, no objections were raised, the independent auditors issued the following audit opinion in accordance with Section 313 (3) of the German Stock Corporation Act: "Based on our audit and assessment, which were carried out in accordance with professional standards, we confirm that (1.) the factual statements made in the report are correct, (2.) the payments made by the Company in connection with legal transactions detailed in the report were not unreasonably high, (3.) there are no circumstances that would require a materially different assessment of the measures listed in the report than that of the Managing Board."

The dependent company report and the independent auditors' audit report were submitted to the Audit Committee and the Supervisory Board and were reviewed by them. The review led to no objections. In accordance with the definitive result of the pre-examination by the Audit Committee and our own review, the Supervisory Board has no objections to the Managing Board's declaration on relationships with affiliated companies. The Supervisory Board concurs with the results of the independent auditors' audit of the dependent company report.

Changes in the composition of the Supervisory Board and Managing Board

The following changes occurred in the composition of the Supervisory and Managing Boards in the reporting period:

Supervisory Board

Mr. Peer M. Schatz was elected as a new additional member of the Supervisory Board with effect from March 23, 2021, until the conclusion of the Annual Shareholders' Meeting held to ratify the acts of the Supervisory Board for fiscal year 2025. As of the date his election to the Supervisory Board took effect, he was also elected as a member of the Innovation and Finance Committee.

In securing Mr. Peer M. Schatz for the Supervisory Board, the Company now has one of the world's most distinguished managers in the diagnostics sector, with many years of in-depth experience in the international arena. He was involved in the establishment and growth of a number of bioscience companies, especially in the fields of precision medicine, diagnostics, biotechnology and life science.

The Company provided various onboarding measures to support his appointment to the Supervisory Board. These covered topics such as the Company's organizational structure, and applicable rules and statutory regulations. He also had personal talks with the Chairman of the Supervisory Board, the Chief Executive Officer and other key persons within the Company.

Managing Board

With the appointment of Ms. Darleen Caron, the number of members on the Managing Board grew from three to four. Ms. Darleen Caron was appointed to the Managing Board and to the position of Chief Human Resources Officer (CHRO) with effect from February 1, 2021, until January 31, 2024. She is also the Labor Director of Siemens Healthcare GmbH, where she is a member of that company's Managing Board.

At the meeting of the Supervisory Board on November 3, 2021 Ms. Elisabeth Staudinger has been appointed as a new member of the Managing Board with effect from December 1, 2021 until November 30, 2024. The appointment of Dr. Christoph Zindel is terminated by mutual consent, effective March 31, 2022.

On behalf of the Supervisory Board, I wish to thank all employees of Siemens Healthineers for their extraordinary dedication in the past fiscal year, which was still marked by the pandemic. I also want to express my gratitude to the members of the Managing Board, who were highly successful in leading the Company through another demanding year. And I would especially like to thank you, our shareholders, for the trust you have placed in our Company and its management, employees and technologies over the past fiscal year.

Munich, November 24, 2021

For the Supervisory Board

Prof. Dr. Ralf P. Thomas
Chairman

C.4 Corporate governance statement

Publicly listed stock corporations are required to prepare and publish an annual statement on corporate governance, with the parent companies having to do so on behalf of their group companies. This statement combines the corporate governance statement of Siemens Healthineers AG in accordance with Section 289f of the German Commercial Code (Handelsgesetzbuch, HGB) and the Group corporate governance statement in accordance with Section 315d of the German Commercial Code. The Corporate Governance statement is an integral part of the combined management report. Pursuant to Section 317 (2) sentence 6 of the German Commercial Code, the independent auditors' review of the disclosures made within the scope of Sections 289f and 315d of the German Commercial Code is to be limited to ascertaining whether the disclosures were made.

According to Principle 22 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex, hereinafter "GCGC"), this combined corporate governance statement for Siemens Healthineers AG and the Group is a key instrument of corporate governance reporting.

C.4.1 Two-tier board

Siemens Healthineers AG is subject to the regulations of German stock corporation law. It therefore has a two-tier board structure, with a Managing Board and Supervisory Board that are separate in terms of both functions and personnel. Both governing bodies cooperate closely in the interests of the Company.

In addition to the applicable statutory provisions, the GCGC provides the de jure and de facto framework for managing and monitoring the Company. The goal of the GCGC is to make Germany's two-tier system of corporate governance transparent and comprehensible.

C.4.1.1 Composition and working methods of the Managing Board

As the Company's top management body, the Managing Board is committed to serving the Company's interests and achieving sustainable growth in the Company's value. The members of the Managing Board are jointly responsible for the entire management of the Company and decide on the basic issues of business policy and corporate strategy, as well as on the Company's annual and multiyear plans.

The Managing Board is responsible for the preparation of the quarterly statements and the half-year financial report, the annual financial statements of Siemens Healthineers AG, the consolidated financial statements of the Group, and the combined management report of Siemens Healthineers AG and the Group. In addition, the Managing Board ensures that the Company adheres to the requirements of legislation, government regulations, and internal Company guidelines, and works to ensure that Group companies comply with these provisions and guidelines. The Managing Board has established a comprehensive compliance management system. Details are available on the website at → ***www.siemens-healthineers.com/company/compliance***.

The Managing Board informs the Supervisory Board regularly, comprehensively, and without delay on all issues of importance to the Company with regard to strategy, planning, business development, the risk situation, risk management, and compliance. When filling managerial positions in the Company, the Managing Board takes diversity into consideration and, in particular, aims for appropriate gender representation.

Information on the areas of responsibility and the curricula vitae of the members of the Managing Board are available on the Company's website at → ***www.siemens-healthineers.com/company/management***.

You will find further information about the Managing Board on our website:

- Compensation of the Managing Board in accordance with Section 87a AktG is available at → ***www.siemens-healthineers.com/investor-relations/corporate-governance/managing-board-compensation***.
- Compensation Report 2021 including the auditor's report in accordance with Section 162 of the German Stock Corporation Act is available at → ***www.siemens-healthineers.com/investor-relations/corporate-governance***.
- Bylaws of the Managing Board are available at → ***www.siemens-healthineers.com/investor-relations/corporate-governance/bylaws***.

Members of the Managing Board and positions held by Managing Board members

In fiscal year 2021 the Managing Board comprised the following members:

				Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises	
Name	Year of birth	First appointed	Term expires	External positions (as of September 30, 2021)	Group company positions (as of September 30, 2021)
Dr. Bernhard Montag Chief Executive Officer	1969	2018	2026	None	None
Darleen Caron (since February 1, 2021)	1964	2021	2024	None	None
Dr. Jochen Schmitz	1966	2018	2026	**German positions:** • Universitätsklinikum Augsburg	None
Dr. Christoph Zindel	1961	2019	2022	None	None

C.4.1.2 Composition and working methods of the Supervisory Board

The Supervisory Board oversees and advises the Managing Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy, and strategy implementation. It reviews the annual financial statements of Siemens Healthineers AG, the consolidated financial statements, and the combined management report, as well as the proposal for the appropriation of net income. It approves the annual financial statements of Siemens Healthineers AG as well as the consolidated financial statements, based on the results of the pre-examination conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Managing Board's proposal for the appropriation of net income and the Report of the Supervisory Board to the Annual Shareholders' Meeting. In addition, the Supervisory Board or the Audit Committee, as appropriate, concerns itself with monitoring the Company's compliance with the requirements of legislation, government regulations, and internal Company guidelines. The Supervisory Board also appoints the members of the Managing Board and determines each member's business responsibilities. Important Managing Board decisions – such as those regarding major acquisitions, divestments, investments in property, plant, and equipment, or financial measures – are subject to Supervisory Board approval, unless the bylaws for the Supervisory Board specify that such authority is delegated to one of the Supervisory Board committees. The bylaws of the Supervisory Board set out not only its tasks and responsibilities, but also the procedure for holding meetings and adopting resolutions.

In the bylaws for the Managing Board, the Supervisory Board has established the rules that govern the Managing Board's work.

The activities of the Supervisory Board and its committees during the reporting period are discussed in the Report of the Supervisory Board ➔ ***C.3 Report of the Supervisory Board***.

The curricula vitae of the members of the Supervisory Board are available on the Company's website at ➔ ***www.siemens-healthineers.com/investor-relations/supervisory-board***.

You will find further information about the Supervisory Board on our website:

- Compensation system of the Supervisory Board including resolution on compensation in accordance with Section 113 (3) of the German Stock Corporation Act is available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance/supervisory-board-compensation***.
- Compensation Report 2021 including the auditor's report in accordance with Section 162 of the German Stock Corporation Act is available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance***.
- Bylaws of the Supervisory Board are available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance/bylaws***.

The Supervisory Board of Siemens Healthineers AG comprises ten members. It is composed entirely of shareholder representatives. The terms of office of the members of the Supervisory Board who were appointed in 2018 will expire at the conclusion of the Annual Shareholders' Meeting in 2023. The terms of office of the members who were appointed in 2020 (Dr. Roland Busch) and 2021 (Mr. Peer M. Schatz) will expire at the conclusion of the Annual Shareholders' Meeting in 2025 and 2026, respectively.

Members of the Supervisory Board and positions held by Supervisory Board members

In fiscal year 2021 the Supervisory Board comprised the following members:

Name	Occupation	Year of birth	Member since	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2021)
Prof. Dr. Ralf P. Thomas Chairman	Member of the Managing Board of Siemens Aktiengesellschaft (Chief Financial Officer)	1961	2018	**German positions:** • Siemens Energy AG • Siemens Energy Management GmbH • Siemens Healthcare GmbH (Chair) **Positions outside Germany:** • Siemens Proprietary Ltd., South Africa
Dr. Norbert Gaus Deputy Chairman	Executive Vice President Corporate Technology of Siemens Aktiengesellschaft	1961	2018	**German positions:** • Siemens Healthcare GmbH
Dr. Roland Busch	President and Chief Executive Officer of Siemens Aktiengesellschaft	1964	2020	**German positions:** • Siemens Mobility GmbH (Chair)
Dr. Marion Helmes	Supervisory board member	1965	2018	**German positions:** • ProSiebenSat.1 Media SE (Deputy Chair) **Positions outside Germany:** • British American Tobacco p.l.c., United Kingdom • Heineken N.V., The Netherlands
Dr. Andreas C. Hoffmann	General Counsel of Siemens Aktiengesellschaft	1964	2018	**German positions:** • Siemens Healthcare GmbH **Positions outside Germany:** • Siemens Ltd., China
Dr. Philipp Rösler	Supervisory board member	1973	2018	**German positions:** • Brainloop AG **Positions outside Germany:** • Fortum Corporation, Finland • Loc Troi Group, Vietnam
Peer M. Schatz (since March 23, 2021)	Managing Director of PS Captial Management GmbH	1965	2021	**German positions:** • Resolve BioSciences GmbH (Chair) **Positions outside Germany:** • CENTOGENE N.V., The Netherlands (Chair)
Dr. Nathalie von Siemens	Supervisory board member	1971	2018	**German positions:** • Messer Group GmbH • Siemens Aktiengesellschaft • Siemens Healthcare GmbH • TÜV SÜD AG **Positions outside Germany:** • EssilorLuxottica S.A., France
Dr. Gregory Sorensen	Founder and CEO of DeepHealth, Inc. (artificial intelligence division of RadNet, Inc.) and Executive Chairman of IMRIS (Deerfield Imaging, Inc.)	1962	2018	**German positions:** • Fresenius Medical Care AG & Co. KGaA • Fresenius Medical Care Management AG **Positions outside Germany:** • DFP Healthcare Acquisitions Corp., USA • Invicro, LLC, USA
Karl-Heinz Streibich	President of acatech – Deutsche Akademie der Technikwissenschaften	1952	2018	**German positions:** • Deutsche Telekom AG • Münchener Rückversicherungs-Gesellschaft AG • Software AG (Chair)

Supervisory Board committees

The Supervisory Board has four committees, whose duties, responsibilities, and procedures fulfill the requirements of the German Stock Corporation Act and the GCGC. The chairpersons of these committees provide the Supervisory Board with regular reports on the committees' activities.

Committees	Members
Chairman's Committee	• **Prof. Dr. Ralf P. Thomas (Chair)** • Dr. Norbert Gaus • Dr. Andreas C. Hoffmann
Audit Committee	• **Dr. Marion Helmes (Chair)** • Dr. Andreas C. Hoffmann • Prof. Dr. Ralf P. Thomas
Innovation and Finance Committee	• **Prof. Dr. Ralf P. Thomas (Chair)** • Dr. Roland Busch • Dr. Norbert Gaus • Peer M. Schatz • Dr. Gregory Sorensen • Karl-Heinz Streibich
Related-Party Transactions Committee	• **Dr. Marion Helmes (Chair)** • Dr. Andreas C. Hoffmann • Karl-Heinz Streibich

The Chairman's Committee coordinates the work of the Supervisory Board and prepares the meetings of the Supervisory Board. It prepares the self-assessment of the Supervisory Board's work and monitors the implementation of the resolutions adopted by the Supervisory Board or its committees. It makes proposals regarding the appointment and dismissal of Managing Board members and handles contracts with members of the Managing Board. When making recommendations for first-time appointments, it takes into account that the term of these appointments should not, as a rule, exceed three years. In preparing recommendations on the appointment of Managing Board members, the Chairman's Committee takes into account the candidates' professional qualifications, international experience and leadership qualities, the age limit specified for Managing Board members, the long-range plans for succession, and diversity. It also takes into account the targets that the Supervisory Board has specified for the share of women on the Managing Board. It decides on approving contracts and transactions with members of the Managing Board and their related parties, whether individuals or entities. The Chairman's Committee submits proposals to the Supervisory Board for setting the compensation of the individual Managing Board members. The Chairman's Committee prepares resolutions of the Supervisory Board regarding the systems of Managing Board and Supervisory Board compensation, including the regular review of those systems. The Chairman's Committee furthermore has the task of providing the Supervisory Board with recommendations of suitable candidates for the board to nominate for election by the Annual Shareholders' Meeting as new members of the Supervisory Board. It therefore has the tasks of a nomination committee. In preparing these recommendations, the targets defined by the Supervisory Board for its composition are to be given due consideration, along with the proposed candidates' required knowledge, abilities, and professional experience. Fulfillment of the profile of required skills and expertise is also to be aimed for. The Chairman's Committee has furthermore been authorized by the Supervisory Board to decide on the approval of Managing Board proposals regarding appointment or dismissal of persons in certain management positions at the first level below the Managing Board, and the main principles of the compensation and incentivization system for employees.

In fiscal year 2021, the Chairman's Committee had the following members: Prof. Dr. Ralf P. Thomas (Chairman), Dr. Norbert Gaus and Dr. Andreas C. Hoffmann.

The ***Audit Committee*** oversees, in particular, accounting and the accounting process. It conducts a pre-examination of the annual financial statements of Siemens Healthineers AG, the consolidated financial statements, and the combined management report, as well as the report on relationships with affiliated companies. On the basis of the independent auditors' report on their audit of the financial statements, the Audit Committee makes, after its own pre-examination, recommendations regarding the Supervisory Board's approval of the annual financial statements of Siemens Healthineers AG and the consolidated financial statements. The Audit Committee discusses the quarterly statements and half-year financial report with the Managing Board and the independent auditors and deals with the auditors' reports on the review of the Group's half-year consolidated financial statements and interim management report. It concerns itself with questions of risk management and oversees the suitability and effectiveness of the systems for internal control, risk management, and internal auditing. The Audit Committee receives regular reports from the internal audit department. It prepares the Supervisory Board's recommendation to the Annual Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. Once the Annual Shareholders' Meeting has made a resolution, the Audit Committee awards the audit contract to the independent auditors and monitors the independent audit of the financial statements, particularly the selection, independence, and qualification of the auditors. It evaluates the quality of the audit and the work of the independent auditors, including the additional services they provide. In this regard, the committee complies with the applicable legal requirements, including in particular the requirements under the EU Audit Regulation (Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements of statutory audits of public-interest entities and repealing Commission Decision 2005/909/EC). The Audit Committee furthermore concerns itself with monitoring compliance, and with nonfinancial reporting and exemptions from such reporting.

In fiscal year 2021, the Audit Committee had the following members: Dr. Marion Helmes (Chairwoman since September 28, 2021), Dr. Andreas C. Hoffmann (Chairman until September 27, 2021) and Prof. Dr. Ralf P. Thomas.

The role of the ***Innovation and Finance Committee*** is particularly to discuss the innovation strategy within the Company's overall strategy, and also to prepare the Supervisory Board's proceedings and resolutions regarding the Company's financial situation and resources, its investments in property, plant and equipment, and its financial measures. In addition, the Innovation and Finance Committee has been authorized by the Supervisory Board to decide on the approval of certain transactions and measures that require Supervisory Board approval and have a value of less than €300 million.

In fiscal year 2021, the Innovation and Finance Committee had the following members: Prof. Ralf P. Thomas (Chairman), Dr. Roland Busch, Dr. Norbert Gaus, Mr. Peer M. Schatz (since March 23, 2021), Dr. Gregory Sorensen, and Mr. Karl-Heinz Streibich.

The ***Related-Party Transactions Committee*** decides on the approval of related party transactions within the meaning of Sections 107 and 111a through 111c of the German Stock Corporation Act. The establishment of this committee creates the conditions that allow the Supervisory Board to deal with related party transactions independently of the related parties involved in the transaction concerned. Within the scope specified above, the committee's responsibility for making decisions pertaining to related party transactions takes priority over the responsibility of other committees to make decisions.

The Related-Party Transactions Committee has three members, who are elected by the Supervisory Board. The majority of members of the committee, including the committee chairwoman, are individuals for whom there are no concerns about conflicts of interest due to their relations with related parties. In fiscal year 2021, the committee had the following members: Dr. Marion Helmes (Chairwoman), Dr. Andreas C. Hoffmann, and Mr. Karl-Heinz Streibich.

Self-evaluation of the work of the Supervisory Board

The Supervisory Board regularly evaluates how effectively the Supervisory Board as a whole and its committees discharge their duties. In fiscal year 2021, the Supervisory Board conducted a questionnaire-based self-evaluation, as it did in the previous year. The self-evaluation focused on the Supervisory Board's supply of information, and the conduct of meetings of the Supervisory Board and its committees.

C.4.1.3 Share transactions of the Managing Board and Supervisory Board

Pursuant to Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC, and 2004/72/EC, members of the Managing Board and the Supervisory Board are required by law to disclose all transactions conducted on their own account relating to the shares or debt instruments of Siemens Healthineers AG or to derivatives or other financial instruments linked thereto, if the total value of such transactions entered into by a board member or any related party of that member reaches or exceeds €20,000 in any calendar year. All transactions reported during the past fiscal year to Siemens Healthineers AG in accordance with this requirement have been duly published and are available on the Company's website at: ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance/directors-dealings***.

C.4.1.4 Shareholders' interests and Shareholders' Meeting

As part of investor relations activities, investors are comprehensively informed about developments within the Company. For reporting purposes, Siemens Healthineers also makes extensive use of the Internet. At ➔ ***www.corporate.siemens-healthineers.com/investor-relations/corporate-governance***, we publish quarterly statements, half-year financial and annual reports, ad hoc announcements, analyst presentations, and press releases, as well as the financial calendar for the current year, which contains the publication dates of significant financial communications and the date of the Annual Shareholders' Meeting.

The shareholders exercise their rights, especially their voting rights, at the Shareholders' Meeting. The Shareholders' Meeting passes resolutions on all matters for which it is responsible under law and the articles of association. Every share in Siemens Healthineers AG grants the holder one vote. The Company supports the shareholders in the exercise of their rights at the Shareholders' Meeting. The invitation to and attendance at the Shareholders' Meeting comply with statutory requirements as well as those set down in the articles of association.

Documents for and information on the Shareholders' Meeting are available at ➔ ***www.siemens-healthineers.com/investor-relations***.

Pursuant to Section 1 (1) and (2) of the German Act on Measures in Corporate, Cooperative, Association, Foundation, and Residential Property Law to Combat the Effects of the COVID-19 Pandemic (hereinafter "COVID-19 Act"), the Managing Board resolved, with the approval of the Supervisory Board, to hold the Annual Shareholders' Meeting on February 12, 2021, as a virtual annual shareholders' meeting without the physical presence of shareholders or their authorized representatives and to allow shareholders to exercise their voting rights using electronic communication or by issuing voting instructions to proxies.

The above-mentioned statutory provision was originally due to expire at the end of 2020. The Federal Ministry of Justice and Consumer Protection extended these provisions regarding virtual shareholders' meetings until the end of 2021 by means of a regulation that came into force on October 29, 2020.

On September 7, 2021, the German parliament (Bundestag) resolved to once again extend the COVID-19 Act. As a result, the option of holding virtual shareholders' meetings will remain in place until August 31, 2022. This does not involve any changes to the content of such meetings.

Therefore, the decision to convene a virtual shareholders' meeting or invite shareholders to attend in person is at the discretion of the Managing Board. The Managing Board's decision to convene and conduct a shareholders' meeting remains subject to approval by the Supervisory Board.

C.4.2 Tasks of the Managing Board; targets, succession planning and diversity concept

Targets for the share of women

Pursuant to the German Stock Corporation Act, the Supervisory Board is to set targets for the share of women on the Managing Board. The Managing Board is to set targets for the share of women at the two levels of management below the Managing Board. If the share of women is less than 30% when the targets are set, the targets cannot be below the level that has already been achieved.

At Siemens Healthineers AG, targets have been set for the Managing Board to include at least one woman by June 30, 2023, and for the first management level below the Managing Board to include at least 25% women by June 30, 2022. There is only one level of management below the Managing Board.

By appointing Ms. Darleen Caron to the Managing Board, Siemens Healthineers AG achieved its self-imposed target for the Managing Board ahead of schedule. Ms. Caron was appointed to the Managing Board and to the position of Chief Human Resources Officer (CHRO) with effect from February 1, 2021, until January 31, 2024.

Diversity concept for the Managing Board

When assessing the proposals for appointing Managing Board members, the Chairman's Committee is guided by the objective to ensure, as far as possible, that the Managing Board has strong leadership skills and a diversified complementary composition. The aim is for the Managing Board as a whole to have all the knowledge and experience that are considered essential in light of the activities of Siemens Healthineers.

When selecting Managing Board members, the Supervisory Board ensures that they are personally suited and have integrity, convincing leadership qualities, international experience, the professional qualifications for the specific business responsibilities to be assumed, a proven track record, knowledge of the Company, and the ability to adapt business models and processes in a constantly changing world. The aspect of diversity is an important selection criterion in filling Managing Board positions, including aspects such as age, gender, and educational and professional background. For this reason, the Supervisory Board takes particular account of the following criteria when selecting members of the Managing Board:

- In addition to the required specific technical skills and management and leadership experience for the task at hand, Managing Board members should cover a range of knowledge and experience as well as of educational and professional backgrounds that is as broad as possible.
- In view of the Company's international reach, it should be ensured that the composition of the Managing Board reflects internationality by including different cultural backgrounds or international experience (for example, extended professional experience abroad that is relevant to Siemens Healthineers or the management of foreign business activities).
- Collectively, the Managing Board should have experience of the lines of business important to Siemens Healthineers, in particular (diagnostic) imaging, laboratory diagnostics, clinical therapy and cancer care.
- Collectively, the Managing Board should have many years of experience in the areas of technology (including information technology and digitalization), transformation processes, entrepreneurship, research and development, procurement, production and sales, finance, legal (including compliance), and human resources.
- Appointments to Managing Board positions should also take into account the targets that the Supervisory Board has specified for the share of women on the Managing Board.
- It is regarded as useful to have different age groups represented on the Managing Board. In accordance with the recommendation of the GCGC, the Supervisory Board has set an age limit for members of the Managing Board. In general, an appointment or a renewal of an appointment to the Managing Board is permitted only for persons below the age of 63.

The decisive factor in filling a specific Managing Board position is always the Company's interest, taking into account all circumstances of the individual case.

The diversity concept is implemented as part of the procedure for the Supervisory Board's appointment of the Managing Board. In selecting candidates, the Supervisory Board is to take account of the requirements set out in the diversity concept for the Managing Board.

In the decision made in the reporting period on the appointment of Ms. Darleen Caron, the Supervisory Board took appropriate account of the diversity concept during the structured appointment process. It is the Supervisory Board's opinion that this decision is in the Company's best interest, as Ms. Darleen Caron has broad experience of an international and strategic nature along with a successful track record in the management of all aspects of human resources in global organizations.

Long-term succession planning for the Managing Board

With the support of the Chairman's Committee, and in consultation with the Managing Board, the Supervisory Board performs long-term succession planning for members of the Managing Board. To this end, the Supervisory Board and the Chairman's Committee regularly discuss potential candidates for the Managing Board. The chair of the Managing Board is involved, unless the discussion is about his or her own succession. The requirement profiles for future Managing Board members defined by the Supervisory Board are not static, but are reviewed at the start of every new succession-planning project, taking into account the current responsibility-specific needs and concrete challenges. The Supervisory Board pursues the approved diversity concept in this process, giving due consideration to ensuring that the knowledge, abilities, and experience of all members of the Managing Board are diverse and balanced. In addition, the Supervisory Board regularly receives information on succession planning for the level below the Managing Board and advises the Managing Board on this matter. The appointment of incumbents of certain management functions at the first level below the Managing Board requires the approval of the Chairman's Committee.

C.4.3 Tasks of the Supervisory Board; targets, profile of required skills and expertise, and diversity concept

The diversity concept for the Supervisory Board was adopted by the Supervisory Board together with the targets for the Board's own composition, including the profile of the skills and expertise that the Supervisory Board should possess. This framework requires the composition of the Supervisory Board of Siemens Healthineers AG to be such as to ensure that its members collectively are qualified to supervise and advise the Managing Board.

Targets for female representation on the Supervisory Board

Pursuant to the German Stock Corporation Act, the Supervisory Board is to set a target for the share of women on the Supervisory Board. If the share of women is less than 30% when the target is set, the target cannot be below the level that has already been achieved.

At Siemens Healthineers AG, a target of at least 2/9 by June 30, 2023, has been set for female representation on the Supervisory Board.

There are already two women on the Supervisory Board: Dr. Marion Helmes and Dr. Nathalie von Siemens. Thus, the target for female representation had already been achieved when the decision was taken – by a broad majority at the Annual Shareholders' Meeting 2021 – to enlarge the Supervisory Board. As a consequence of the enlargement of the Supervisory Board and the election of the new member, the Company has temporarily fallen short of its target for female representation. The next regular election of the majority of Supervisory Board members is planned for the Annual Shareholders' Meeting 2023, which is prior to the deadline for achieving the envisaged target for female representation. Consequently, the election may result in the Company achieving its target.

Diversity concept for the Supervisory Board

Sufficient diversity is expected in the composition of the Supervisory Boardthat the Supervisory Board is sufficiently diverse in its composition. In addition to an appropriate gender ratio, this also includes diversity with regard to cultural origin, religion, and ethnic background, as well as diversity of professional background, experience, and mindset. When examining potential candidates for appointments to Supervisory Board positions, diversity should be given appropriate consideration early on in the selection process.

In the process of selecting and nominating candidates for the Supervisory Board, the Supervisory Board takes account of the targets for its composition and the requirements laid down in the diversity concept.

These requirements were taken into account when a new member was elected to the Supervisory Board during the reporting period. In selecting Mr. Peer M. Schatz, special attention was paid to his international professional experience and his cross-cultural origins and education.

Profile of required skills and expertise

The composition of the Supervisory Board of Siemens Healthineers AG should be such that it can provide the Managing Board with qualified oversight and consultation.

The candidates proposed for election to the Supervisory Board should have the knowledge, skills, and experience that enable them to perform the duties of a supervisory board member at an international enterprise and strengthen the public image of Siemens Healthineers. The character, integrity, motivation, and professionalism of the persons proposed for election should be given particular consideration.

Pursuant to the German Stock Corporation Act, at least one member of the Supervisory Board should have knowledge of accounting and at least one further member should have knowledge of auditing financial statements. In addition, the Supervisory Board should collectively be familiar with the sector in which Siemens Healthineers operates.

Pursuant to the GCGC, the Chair of the Audit Committee should have specific knowledge and experience in applying accounting principles and internal control procedures and be familiar with audits of financial statements. This person should also be independent.

The aim is for the Supervisory Board as a whole to have all the knowledge and experience considered essential in view of the activities of Siemens Healthineers. This includes, for example, competencies and experience of medical and healthcare technology (including information technology and digitalization), transformation processes, entrepreneurship, procurement, production and sales, finance, legal (including compliance), and human resources. The Supervisory Board should also have knowledge and experience of the lines of business important to Siemens Healthineers, in particular (diagnostic) imaging, laboratory diagnostics, clinical therapy and cancer care. In particular, the Supervisory Board members should also include persons who have management experience at a large international enterprise as a result of performing an executive function or as a member of a supervisory board or similar body.

Before potential new members are considered, the Supervisory Board should conduct a review to determine which of its required skills and expertise need to be strengthened.

With its current membership, the Supervisory Board fulfills the profile of required skills and expertise. The Supervisory Board members have the professional and personal qualifications considered necessary. As a group, they are familiar with the sector in which the Company operates and have the knowledge, skills, and experience essential for Siemens Healthineers.

In the person of Prof. Dr. Ralf P. Thomas, the Supervisory Board and Audit Committee each have at least one member with knowledge of accounting. As regards the auditing of financial statements, the Supervisory Board and the Audit Committee each have at least one person with the corresponding expertise in the person of Dr. Marion Helmes.

Dr. Marion Helmes, the independent chair of the Audit Committee, meets the GCGC recommendations for the chair of that committee as regards specific knowledge and experience in applying accounting principles and internal control procedures, and familiarity with audits of financial statements.

In addition, it is the Supervisory Board's opinion that all members of the Audit Committee have the requisite knowledge of accounting, auditing financial statements and internal control procedures.

International profile

In light of the Company's international reach, it should be ensured that the Supervisory Board has a sufficient number of members with many years' international experience.

A considerable number of Supervisory Board members are engaged in international activities and/or have many years of international experience.

Independence

In accordance with the GCGC, the Supervisory Board should include what it considers to be an appropriate number of independent members from the group of shareholder representatives, thereby taking into account the shareholder structure. Within the meaning of this recommendation of the GCGC, a Supervisory Board member is considered independent if he/she is independent of the company and its Managing Board, and independent of any controlling shareholder. The composition of the Supervisory Board should be such that at least three independent shareholder representatives who meet the above criteria of independence are members of the Supervisory Board.

Under the GCGC, more than half of the shareholder representatives should be independent of the company and the Managing Board. Supervisory Board members are to be considered independent of the company and its Managing Board if they have no personal or business relationship with the company or its Managing Board that may cause a substantial – and not merely temporary – conflict of interest.

In assessing whether its Supervisory Board members are independent of the Company or its Managing Board, the shareholder representatives should take into account the aspects given in C.7 of the GCGC.

If the company has a controlling shareholder, and the Supervisory Board comprises more than six members, the GCGC recommends that at least two shareholder representatives should be independent of the controlling shareholder. A Supervisory Board member is considered independent of the controlling shareholder if he/she, or a close family member, is neither a controlling shareholder nor a member of the executive governing body of the controlling shareholder, and does not have a personal or business relationship with the controlling shareholder that may cause a substantial – and not merely temporary – conflict of interest.

The Supervisory Board has an adequate number of independent members. In the opinion of the Supervisory Board, there are currently at least five Supervisory Board members who are independent of the Company, its Managing Board, and the majority shareholder – namely, Dr. Marion Helmes, Dr. Philipp Rösler, Dr. Gregory Sorensen, Mr. Peer M. Schatz and Mr. Karl Heinz Streibich.

In the opinion of the Supervisory Board, all its members are currently independent of the Company and its Managing Board. Some members of the Supervisory Board hold positions of significant responsibility in other companies with which Siemens Healthineers maintains relationships in the ordinary course of business. The Supervisory Board believes that none of these relationships should be considered material.

Availability

Every Supervisory Board member must ensure that they have enough time to perform their tasks. The legal limits on the number of positions, and the upper limit recommended by the GCGC of two supervisory board positions for Managing Board members of publicly listed companies and five supervisory board positions for other members, must be taken into consideration.

With regard to performing the tasks associated with such a position at Siemens Healthineers, it must be taken into account that

- at least five, but usually seven, ordinary Supervisory Board meetings are held per year, which require adequate preparation
- sufficient time must be planned for reviewing the documents relating to the annual and consolidated financial statements
- attendance at the Annual Shareholders' Meeting is mandatory
- depending on membership in one or more of the currently four Supervisory Board committees, additional time is required for attending and adequately preparing for committee meetings; this applies especially to the Audit Committee
- additional extraordinary meetings of the Supervisory Board or a committee may become necessary to deal with special issues.

Age limit and length of membership

Observing the age limit laid down by the Supervisory Board in the bylaws, only persons no more than 70 years of age should usually be proposed for election as a member of the Supervisory Board. The aim is for the Supervisory Board to have an appropriate structure of experience and age.

C.4.4 Declaration of conformity with the German Corporate Governance Code

Declaration of Conformity by the Managing Board and the Supervisory Board of Siemens Healthineers AG with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act

The Managing Board and Supervisory Board declare that, since the issuance of the last Declaration of Conformity dated September 30, 2020, the Company has fully complied with the recommendations of the German Corporate Governance Code as amended on December 16, 2019 ("GCGC"), except for the following deviation:

Pursuant to C.10 sentence 2 and D.4 sentence 1 of the GCGC, the Chairman of the Audit Committee shall be independent.

Previously, the Audit Committee had been chaired by a representative of the majority shareholder to reflect the fact that the Company is included in the consolidated financial statements of the Siemens Group due to its affiliation with Siemens AG.

Also with regard to the amended requirements for membership of the DAX family indices, an independent member of the Supervisory Board has now been appointed as Chair of the Audit Committee. Since September 28, 2021, this position has been held by Dr. Marion Helmes. As a result, the previously declared deviation no longer exists.

Against this background, the Managing Board and Supervisory Board declare that the Company meets all recommendations of the GCGC, without exception, at the present time and will also do so in the future.

Munich, September 30, 2021
Siemens Healthineers AG

The Managing Board The Supervisory Board

C.4.5 Information on corporate management practices

Suggestions of the German Corporate Governance Code

In addition to recommendations, the GCGC also makes suggestions for good and responsible corporate governance and control. Since September 30, 2020, Siemens Healthineers AG has fulfilled all suggestions of the GCGC with the exception of A.5 of the GCGC.

Pursuant to A.5 of the GCGC, in the case of a takeover offer, the Managing Board should convene an extraordinary shareholders' meeting at which shareholders discuss the takeover offer and may decide on corporate actions. The convening of a shareholders' meeting, even taking into account the shortened time limits stipulated in the German Securities Acquisition and Takeover Act, is an organizational challenge for large publicly listed companies. It appears doubtful whether the associated effort is also justified in cases where no relevant decisions by the shareholders' meeting are intended. Therefore, extraordinary shareholders' meetings are convened only in appropriate cases.

Further corporate governance practices applied beyond legal requirements are contained in the business conduct guidelines.

Business conduct guidelines

The Siemens Healthineers business conduct guidelines provide the ethical and legal framework within which the Company intends to operate and to remain on course for success. They contain the basic principles and rules for the conduct of all Siemens Healthineers employees within the Company and in relation to our external partners and the general public. They set out how Siemens Healthineers meets its ethical and legal responsibilities as a company. The business conduct guidelines are available at → ***www.siemens-healthineers.com/company/compliance***.

C.5 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 various 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 forward-looking statement. All forward-looking statements apply only 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 supplemental financial measures that are or may be alternative performance measures not precisely defined in the applicable financial reporting framework (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, financial position and results of operations as presented in accordance with the applicable financial reporting framework. Other companies that report or describe similarly titled alternative performance measures may calculate them differently, and therefore they may not be comparable to those included in this document.

Due to rounding, individual 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.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

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

In the event that the male form is used in this Annual Report, the information nevertheless refers to all persons (male, female, non-binary).

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Press:
→ ***www.siemens-healthineers.com/press-room***

Investor Relations:
→ ***www.corporate.siemens-healthineers.com/investor-relations***

Siemens Healthineers AG
Henkestr. 127
91052 Erlangen, Germany
siemens-healthineers.com

Investor Relations
Phone: +49 (9131) 84-3385
Email: ir.team@siemens-healthineers.com

Press
Email: press.team@siemens-healthineers.com

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