Half-year
financial report
First half of fiscal year 2018

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Introduction

Siemens Healthineers AG's Half-year Financial Report complies with the applicable legal requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and comprises condensed Half-year Consolidated Financial Statements, an Interim Group Management Report and a Responsibility statement in accordance with §115 WpHG.

The Half-year Consolidated Financial Statements are in accordance with International Financial Reporting Standards ("IFRS") applicable to interim financial reporting as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU").

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

Interim Group Management Report

A.1 Business environment

A.1.1 Organization and business description

We are a medical technology company with activities in numerous countries around the world. Siemens Healthineers comprises Siemens Healthineers AG, a stock corporation under the laws of the Federal Republic of Germany, as the parent company and its subsidiaries. Siemens Healthineers AG has its registered seat in Munich, Germany, and is registered with the commercial register (Handelsregister) of the local court (Amtsgericht) of Munich, Germany, under docket number HRB 237558. Siemens Healthineers AG was founded and registered in the Commercial Register in December 2017. As of March 31, 2018, Siemens Healthineers had around 49 thousand employees. Siemens Healthineers AG, whose fiscal year ends on September 30 of each calendar year, operates as the holding company of Siemens Healthineers Group, also referred to as "Siemens Healthineers" or "Group". The Group's business is conducted by Siemens Healthcare GmbH and its direct and indirect subsidiaries as well as the direct and indirect subsidiaries of Siemens Healthineers Beteiligungen GmbH & Co. KG.

Siemens Healthineers is a global provider of healthcare solutions and services with unique presence and scale in an attractive market. With our three leading businesses and holistic system competence, we develop, manufacture and distribute a diverse range of market-leading and innovative imaging, diagnostic and advanced therapies products and services to healthcare providers around the world. We also provide medical technology and software solutions as well as clinical consulting services, supported by a complete set of training and service offerings. This comprehensive portfolio supports customers along the continuum of care – from prevention and early detection to diagnosis, treatment and follow-up care.

Our business activities are to a certain extent resilient to short-term economic trends as large portions of our Revenue stems from recurring business. We are, however, dependent on regulatory and public policy developments around the world.

The global healthcare market served by Siemens Healthineers is transforming, putting healthcare providers under pressure for better outcomes at lower cost. Drivers of this transformation include increasing societal resistance to healthcare costs, payers becoming more professional, a shift to value-based reimbursement, chronic disease burdens and rapid scientific progress. As a result, healthcare providers are consolidating into networked structures, resulting in larger clinic and laboratory chains – often internationally – which act increasingly like large enterprises. Applying this industrial logic to the healthcare market can lead to systematic improvements in quality, while at the same time reducing costs. To capture these benefits, regulatory schemes around the world increasingly seek to shift healthcare incentive systems away from a basis in number of procedures to a basis in outcomes achieved.

Our business operations are divided into three segments: Imaging, Diagnostics and Advanced Therapies.

Our Imaging segment is a leading global provider of imaging products and services. Our most important products within this segment are modalities comprising of magnetic resonance, computed tomography, x-ray systems, molecular imaging or ultrasound.

Our Diagnostics segment is a leading global provider of diagnostic products and services in laboratory, molecular and point of care diagnostics, including critical and chronical care which we provide to healthcare providers.

Our Advanced Therapies segment is a leading global player in the production of highly-integrated products, solutions and services across multiple clinical fields, which we provide to therapy departments of healthcare providers. Our Advanced Therapies products facilitate minimally invasive treatment through the use of image-guided therapy, which have experienced growth in recent years in areas such as cardiology, interventional radiology, surgery and radiation oncology. Our most important products within this segment are the Angio systems and the Mobile C-arm.

Within these three segments we provide comprehensive services along the entire customer value chain including consulting, design, maintenance, operational management, training and education services. Our services integrate such offerings as equipment performance management, clinical education and eLearning, asset management, managed departmental services, consulting, Digital Ecosystem and population health management.

A.1.2 Developments due to the separation from Siemens Group

Changes in corporate structure and separation from Siemens Group

Our corporate structure has changed substantially in the first-half of the current fiscal year and the periods before in the context of the separation from Siemens AG and its subsidiaries ("Siemens Group"). In the wake of several country-specific carve-outs, Siemens Group's healthcare-related activities, services and corporate support functions not held by separate, healthcare-dedicated legal entities were in the first step carved-out from Siemens AG and the relevant Siemens regional companies and transferred to newly established or pre-existing healthcare-dedicated legal entities. In the second step, Siemens Healthineers AG registered in Munich, Germany, was established in a notarial foundation deed in December 2017, and several healthcare-related entities still held by Siemens AG or its direct and indirect subsidiaries were contributed against shares or sold and transferred to direct or indirect subsidiaries of Siemens Healthineers AG to further complete a stand-alone legal group structure.

Dividends and domination and profit and loss transfer agreement

Siemens Healthcare GmbH and Siemens AG were parties to a domination and profit and loss transfer agreement, which was consensually terminated by both parties with effect as of March 31, 2018. The Net income of Siemens Healthcare GmbH according to the German GAAP financial statements for the six months ended March 31, 2018 is transferred to Siemens AG for the last time. Irrespective of the transfer of the Net income of Siemens Healthcare GmbH to Siemens AG for the six months ended March 31, 2018, it is intended that the amount of the fiscal year 2018 dividend to be paid by Siemens Healthineers AG in 2019 will be calculated based on Siemens Healthineers Net income in accordance with International Financial Reporting Standards ("IFRS") generated during the entire period from October 1, 2017 until September 30, 2018, as if such profit transfer pursuant to the domination and profit and loss transfer agreement for the six months ended March 31, 2018 had not occurred.

Capital measures

As of March 31, 2018, the share capital of Siemens Healthineers AG amounts to €1.0 billion and is divided into 1,000,000,000 ordinary registered shares with no par value (auf den Namen lautende Stückaktien). The share capital has been fully paid up. Siemens Healthineers AG's shares were created pursuant to the laws of Germany. Siemens Healthineers AG's share capital has developed as follows: Siemens Healthineers AG was established with an original share capital of €50 thousand against contribution in cash. On February 2, 2018, the extraordinary shareholders' meeting resolved to increase Siemens Healthineers AG's share capital from €50 thousand to €1.0 billion by issuing 999,950,000 new shares. The consummation of the capital increase was registered with the commercial register of the local court in Munich, Germany, on February 9, 2018.

On February 19, 2018, Siemens Healthineers AG's extraordinary shareholders' meeting resolved to create an authorized capital. The resolution was entered into the commercial register on February 27, 2018. Thereunder, the Managing Board is authorized, subject to the Supervisory Board's prior consent, to increase Siemens Healthineers AG's share capital on one or more occasions until February 18, 2023 by up to €500 million by issuing up to 500,000,000 new ordinary registered shares with no par value against cash and/or contributions in kind.

On February 19, 2018, Siemens Healthineers AG's extraordinary shareholders' meeting resolved to create a conditional capital. Siemens Healthineers AG's share capital is conditionally increased by up to €100 million by issuance of up to 100,000,000 new ordinary registered shares with no par value. The conditional capital increase may only be implemented to grant shares when holders of bonds issued by Siemens Healthineers AG or a controlled entity until February 18, 2023 exercise conversion rights or warrants or conversion obligations or warrants are fulfilled vis-à-vis such holders and insofar as other forms of fulfillment 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 rights (convertible bonds) or with bearer or registered warrants attached (warrant bonds), or a combination of these instruments, entitling the holders/creditors to subscribe to up to 100,000,000 new ordinary registered shares of Siemens Healthineers AG with no par value, representing a pro rata amount of up to €100 million of the share capital.

The extraordinary shareholders' meeting held on February 19, 2018 authorized the Managing Board to repurchase shares of Siemens Healthineers AG until February 18, 2023 for every permissible purpose, up to a limit of 10% of its share 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. As of March 31, 2018, Siemens Healthineers AG does not hold any of its own shares, nor does a third party hold any shares on behalf of, or on the account of, Siemens Healthineers AG.

Initial public offering ("IPO")

On March 16, 2018 Siemens Healthineers AG successfully performed its stock market debut with its shares trading for the first time on the Frankfurt Stock Exchange. On March 29, 2018, Siemens Healthineers AG share closed on the Frankfurt Stock Exchange at € 33.39, which was well above the placement price of € 28.00. In total, 150,000,000 existing ordinary registered shares (including over-allotments), representing a free float of 15%, were placed at the IPO by Siemens Group which received the resulting proceeds. Siemens Group holds a 85% stake in Siemens Healthineers AG following the IPO and will retain a majority stake in the long-term. Siemens Healthineers AG's shares, trading under the ticker symbol SHL, are listed in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

A.1.3 Research and development

Our research and development ("R&D") activities are ultimately geared towards developing innovative, sustainable solutions for our customers and simultaneously safeguarding our competitiveness. Consequently, we are focusing our R&D activities on a number of selected technologies and innovation fields. Siemens Healthineers' R&D activities include the development of innovative product lines which use new technologies such as digitalization or artificial intelligence. This will, amongst other results, enable faster handling of medical information and can lead to more precise and personalized clinical decisions. It also promises added value: New computer algorithms can detect hidden patterns in the data and give physicians valuable support for diagnosis and therapy decisions.

In addition to constantly innovating our portfolio, Siemens Healthineers continuously extends existing products and solutions. Our customers' performance improves with systems such as the recently launched Atellica. This laboratory diagnostics platform transports samples ten times faster than previous systems and it is also more flexible.

The services business is expanding beyond product related services by adding a digital services portfolio and increasing enterprise transformation services to help customers in their transition to outcome-focused care. A major step forward is the Digital Ecosystem platform which links healthcare providers and solution providers to one another as well as brings together their data, applications and services. Users gain new insights through data analytics and use it to network with their peers.

Our own R&D workforce operates globally in different R&D sites. The distribution of our development workforce across an internationally balanced network of sites enables us to better cater to the needs of local markets and gives us access to local talent pools, allowing us to hire the best people available for the job. We supplement our internal capabilities through our relationships with strategic partners.

In the six months ended March 31, 2018, we reported R&D expenses of €614 million, compared to €606 million in the six months ended March 31, 2017. The resulting R&D intensity, defined as the ratio of R&D expenses and Revenue, was 9.6% in the six months ended March 31, 2018, compared to the R&D intensity of 9.0% in the six months ended March 31, 2017. Additions to capitalized development expenses amounted to €61 million in the six months ended March 31, 2018, compared to €93 million in the six months ended March 31, 2017. Depreciation of capitalized development expenses amounted to €40 million in the six months ended March 31, 2018, compared to €28 million in the six months ended March 31, 2017.

A.2 Economic environment

A.2.1 Worldwide economic environment

The growth rate of the global economy started to diminish during the six months ended March 31, 2018. The expansion of world gross domestic product ("GDP"), which amounted to 3.0% in calendar year 2017 and was the strongest for the last five years, is still projected to rise to 3.1% in calendar year 2018 (based on market exchange rates). The global upswing was broad-based on a regional and structural basis. In both emerging markets and advanced countries, economic activity kept growing; whereas the growth in advanced countries started to stagnate. Uncertainties stemming mainly from (geo)political risks such as impending trade tariffs and further protectionist measures had limited effects on the global economy. The partially estimated figures presented here are based on forecasts and statistics of the World Bank and the International Monetary Fund ("IMF").

A.2.2 Market development

In addition to the above mentioned global economic developments, our addressable markets are shaped by four major trends. Our business is driven by various demographic trends including the growing and ageing global population. This increase poses major challenges to the global healthcare systems and, at the same time, opportunities for us as the demand for cost efficient healthcare solutions is intensifying. The second trend relates to the economic development in emerging countries that leads to improved access to healthcare. Due to a growing middle class, there continues to be significant investment in the expansion of private and public healthcare systems, driving overall growth. The third trend is the increase in chronic diseases which is being driven by an ageing population and environmental and lifestyle-related changes. The last global trend with considerable effect on our business development is the transformation of healthcare providers. Due to increasing cost pressure on the healthcare sector, new remuneration models for healthcare services are being introduced. Digitalization and artificial intelligence are likely to be key enablers for healthcare providers as they increasingly focus more on enhancing the overall patient experience, underpinned by better outcomes and overall reduction in cost of care.

While demand for our products continues to grow, this trend was partially offset by price pressure on new purchases and increased utilization rates for installed systems. The development in the Imaging segment benefits from a wider range of applications and increasing patient access to imaging technology. The market for Diagnostics is expanding due to population and income growth in emerging markets and the rising importance of diagnostics in improving healthcare quality. Growth in the area of molecular diagnostics was particularly strong, driven by technological advances and a broader spectrum of applications. For the healthcare industry as a whole, the trend towards consolidation continues. Competition among the leading companies is strong, especially with regard to price.

The Imaging market is benefiting from a paradigm shift towards precision medicine and increasing utilization of imaging devices in therapy, screening and intervention. These trends will continue to drive the demand for broader imaging applicability and digitalization. Furthermore, as developments in artificial intelligence, big data and deep machine learning continue to direct the future of population health management, highly intelligent imaging systems will continue to become critical to the management and delivery of care. The global Imaging market in fiscal year 2016 was estimated to be €17.4 billion and is expected to grow at a compound annual growth rate ("CAGR") of 3% from 2016 to 2021, with Asia-Pacific being the largest and fastest growing geographical region at a CAGR of 5% over the same time period. The global market is expected to be driven by sustainable underlying trends across imaging modalities and geographies.

The Diagnostics market is fragmented with global players competing internationally across market segments, but also facing competition from several regional players and specialized companies with niche technologies. The Diagnostics market is subject to a number of fundamental drivers that are expected to drive the Diagnostics industry going forward. Firstly, increased awareness of wellness testing along with a rise in non-communicable diseases is pushing a broader segment of the population to engage in more regular prevention tests. Secondly, the increased demand from emerging markets supported by economic growth, the increase in addressable market and the expansion of universal health and primary care models in these emerging markets benefits our growth, also due to rising expenditures by governments in developing countries expanding the healthcare infrastructure to rural communities. Finally, the improvement of diagnostics techniques, potential for newer tests and an increased focus towards precision medicine are expected to drive incremental market expansion. The global Diagnostics market (including molecular services) amounted to approximately €31 billion in fiscal year 2016 with an expected CAGR of 6% from 2016 to 2021.

The Advanced Therapies market is largely influenced by procedural developments. It is estimated that approximately half of the procedure growth is resulting in equipment growth. For example, open surgery as a standard procedure for operations is accompanied by long recovery time, high risk of complications and high costs for hospitals. Driven by technological innovations in imaging, robotics, medical devices and IT, minimally invasive procedures are emerging as the new standard as they counteract the disadvantages and result in, among other things, lower risks of complications, smaller scars, faster recovery time, less post-operation pain, shorter hospital stays and less incurred costs. Aside from this, new and complex procedures across all interventional clinical disciplines require complex technological devices supporting these procedures. The market for our Advanced Therapies products in fiscal year 2016 (excluding radiation oncology) was estimated to be €2.8 billion and is expected to grow at a CAGR of 4% from 2016 to 2021. Market growth is primarily driven by sustainable growth trends across clinical fields and particularly across minimally invasive procedures.

A.3 Financial performance system

Key performance indicators ("KPIs")

Our primary measure for managing and controlling our Revenue growth is Comparable revenue growth, because it shows the development in our business net of currency translation effects, which arise from the external environment outside of our control, and portfolio effects, which involve business activities which are either new to or no longer a part of our business.

We use Profit margin as indicator for evaluating our operating performance. Profit is defined as Income before income taxes, Financing interest, certain pension costs and Amortization expenses of intangible assets acquired in business combinations. Profit margin is defined as Profit of Siemens Healthineers or of the respective segment, divided by its (Total) Revenue. For Siemens Healthineers Revenue is defined as consolidated Siemens Healthineers Revenue as reported in the Consolidated Statements of Income. On a segment level Revenue is defined as Total revenue, including Siemens Healthineers' Intersegment revenue. In the six months ended March 31, 2018, Siemens Healthineers incurred exceptional expenses for IPO charges, which are related to one-time external costs directly linked to the offering and are shown in central items and severance charges related to costs in connection with personnel restructuring programs. These charges were special items that did not reflect the underlying performance of the business and, therefore, adversely affected the comparability of the Profit. Therefore, we adjust Profit (as defined above) and the Profit margin figures for these one-time effects ("Adjusted profit" and "Adjusted profit margin"). For the calculation of Adjusted profit margin the same Revenue definitions as described above are applied. For the reporting period a reconciliation of Profit and Profit margin to Adjusted profit and Adjusted profit margin is depicted in the tables in chapter *4.2. Income*.

Both KPIs, Comparable revenue growth and (Adjusted) Profit margin are measured and used for management, controlling and for the evaluation of the operating performance of each segment and of Siemens Healthineers in total.

Dividend

We intend to provide an attractive return to our shareholders. Therefore, we intend to propose a dividend whose distribution volume is within a dividend payout range of 50% to 60% of Net income, which we may adjust for this purpose to exclude selected exceptional non-cash effects.

A.4 Results of operations

A.4.1 Revenue by region and segment

Revenue decreased by €298 million, or 4%, from €6,723 million for the six months ended March 31, 2017 to €6,425 million for the six months ended March 31, 2018. On a comparable basis Revenue increased in the first half of fiscal year 2018 year by 3% driven by the Imaging and Advanced Therapies segments.

Negative currency translation effects took seven percentage points from revenue growth; portfolio transactions had a minimal effect on overall Revenue development year-over-year.

Revenue by region (location of customer)

(in millions of €)	First Half 2018	2017	% Change Act.	Comp.
Europe, C.I.S., Africa, Middle East	2,098	2,067	2%	5%
therein Germany	408	437	–7%	–5%
Americas	2,512	2,804	–10%	0%
therein U.S.	2,104	2,372	–11%	–1%
Asia, Australia	1,815	1,851	–2%	5%
therein China	815	730	12%	16%
Siemens Healthineers	**6,425**	**6,723**	**–4%**	**3%**

(in millions of €)	First Half 2018	2017	% Change Act.	Comp.
Siemens Healthineers	**6,425**	**6,723**	**–4%**	**3%**
therein Imaging	3,889	3,980	–2%	5%
therein Diagnostics	1,899	2,057	–8%	0%
therein Advanced Therapies	720	738	–2%	5%

The strong Comparable revenue growth in the Europe, C.I.S, Africa, Middle East ("EMEA") region was supported by all segments including a very sharp increase in Advanced Therapies. In Germany, a slight growth in Diagnostics was offset by a sharp decline in Imaging.

In the Americas, Revenue growth was flat year-over-year on a comparable basis. A moderate increase in Imaging was offset by a decline in Diagnostics.

Revenue in Asia, Australia was clearly up year-over-year on a comparable basis. Growth within the region was driven by the extraordinary performance in China, which grew across all segments, especially Imaging.

The total demand for our products has increased which supports our short- and mid-term growth aspirations.

The Total revenue generated by our Imaging segment increased by 5% on a comparable basis, with contributions from all businesses. In particular, Magnetic Resonance ("MR") showed significant growth based on its continued innovation leadership. Due to negative currency translation effects, Revenue as reported decreased by €91 million, or 2%, from €3,980 million for the six months ended March 31, 2017 to €3,889 million for the six months ended March 31, 2018. On a regional basis, all three regions contributed to comparable Revenue growth: Asia, Australia was driven by the fast growing market in China, while growth in the Americas was impacted by uncertainties related to healthcare reimbursement in the U.S. EMEA shows a mixed picture with some countries under pressure, e.g. Germany.

The Comparable revenue growth generated by our Diagnostics segment remained flat in the first half fiscal year 2018. Due to negative currency translation effects Revenue as reported decreased by €158 million, or 8%, from €2,057 million for the six months ended March 31, 2017 to €1,899 million for the six months ended March 31, 2018. On a geographical basis, the solid growth in EMEA and Asia, Australia was offset by a decrease in Americas.

The Total revenue generated by our Advanced Therapies segment decreased by €18 million, or 2%, from €738 million for the six months ended March 31, 2017 to €720 million for the six months ended March 31, 2018. On a comparable basis the revenue increased by 5%, driven by EMEA and China. This Revenue growth in Advanced Therapies has primarily been influenced by the structural shift from open surgeries to more minimally invasive procedures in which our products (and related services) play an integral role.

A.4.2 Income

Reconciliation from Profit to Adjusted profit (margin) and Net income.

	First half	
(in millions of €)	2018	2017
Profit	**980**	1,177
therein Imaging	742	755
therein Diagnostics	224	275
therein Advanced Therapies	137	168
Severance charges and IPO costs	**126**	26
Adjusted profit	**1,107**	1,203
therein Imaging	756	763
therein Diagnostics	234	285
therein Advanced Therapies	139	169
Adjusted profit margin	**17.2%**	17.9%
therein Imaging	19.4%	19.2%
therein Diagnostics	12.3%	13.9%
therein Advanced Therapies	19.3%	22.9%

	First half	
(in millions of €)	2018	2017
Profit	**980**	1,177
Financing interest	–106	–140
PPA amortization	–64	–77
Income tax expenses	–192	–294
Net Income	**618**	666

Profit decreased by €197 million, or 16.7%, from €1,177 million for the six months ended March 31, 2017 to €980 million for the six months ended March 31, 2018. The decrease was primarily due to significant negative currency effects and IPO costs. In the six months ended March 31, 2018 we encountered one-off effects due to the IPO costs as well as severance charges amounting to €126 million. Thereof, severance charges were €33 million (first half FY 2017: €26 million).

Excluding severance charges and IPO costs the Adjusted profit was lower than in the prior year. The Adjusted profit margin decreased from 17.9% for the six months ended March 31, 2017 to 17.2% for the six months ended March 31, 2018.

Research and development expenses increased by €8 million, or 1%, from €606 million for the six months ended March 31, 2017 to €614 million for the six months ended March 31, 2018.

Selling and general administrative expenses decreased by €44 million, or 4%, from €1,109 million for the six months ended March 31, 2017 to €1,065 million for the six months ended March 31, 2018. The decrease was due primarily to positive currency translation effects; on a comparable basis the expenses increased modestly.

Financing interest decreased by €34 million, from €140 million for the six months ended March 31, 2017 to €106 million for the six months ended March 31, 2018. This decrease was due primarily to the repayment of loans during the legal reorganization at their fair value resulting in a gain of €27 million.

Income tax expenses decreased by €102 million, or 35%, from €294 million for the six months ended March 31, 2017 to €192 million for the six months ended March 31, 2018. The decrease was due primarily to the completion tax audits and a lower Income before Income taxes. Our effective income tax rate decreased from 31% in the six months ended March 31, 2017 to 24% in the six months ended March 31, 2018.

Based on the effects stated above Net income decreased by €48 million, or 7%, from €666 million for the six months ended March 31, 2017 to €618 million for the six months ended March 31, 2018.

Profit of total segments (i.e. the sum of profit for each of the segments excluding central items and reconciliation) decreased by €95 million, or 8% from €1,198 million for the six months ended March 31, 2017 to €1,103 million for the six months ended March 31, 2018.

The Profit generated by the Imaging segment was negatively impacted by currency effects and decreased by €13 million, or 2%, from €755 million for the six months ended March 31, 2017 to €742 million for the six months ended March 31, 2018. In the six months ended March 31, 2018, €14 million severance charges were excluded from Profit in order to obtain the Adjusted profit. This results in an Adjusted profit margin of 19.4%, which is slightly above prior year level, despite severe headwinds from currency effects. Overall, profitability in the six months ended March 31, 2018 is supported by strong Comparable revenue growth.

The Profit generated by the Diagnostics segment decreased by €51 million, or 19%, from €275 million for the six months ended March 31, 2017 to €224 million for the six months ended March 31, 2018. In the six months ended March 31, 2018, €10 million severance charges were excluded from Profit in order to obtain the Adjusted profit and the Adjusted profit margin of 12.3% compared to 13.9% for the six months ended March 31, 2017. The decrease was due primarily to transition to Atellica Solution.

The Profit generated by the Advanced Therapies segment decreased by €31 million, or 18%, from €168 million for the six months ended March 31, 2017 to €137 million for the six months ended March 31, 2018. In the six months ended March 31, 2018, €1 million severance charges were excluded from Profit in order to obtain the Adjusted profit and the Adjusted profit margin of 19.3% compared to 22.9% for the six months ended March 31, 2017. The Adjusted profit resulted in €139 million compared to €169 million in the prior period. The decrease was due primarily to adverse currency effects and investments in our mid- and long-term plan for a significant portfolio evolution.

A.5 Asset positions

(in millions of €)	Mar 31, 2018	Sep 30, 2017	% Change
Current assets	6,890	7,794	–12%
Non-current assets	11,937	13,319	–10%
Total assets	**18,828**	21,113	–11%

Our Total assets in the six months ended March 31, 2018 were influenced by negative currency translation effects driven by the development of the U.S. dollar.

Current assets

The bundling of the Siemens Healthineers AG's cash management activities towards Siemens Group results in a balance sheet contraction impacting receivables and liabilities to Siemens Group. Receivables from Siemens Group decreased from €2,991 million as of September 30, 2017 to €1,687 million as of March 31, 2018.

This effect was partly offset by an increase in operating working capital, mainly in Inventories. This reflects investments into Atellica ramp-up and to secure supply capabilities.

Non-current assets

The non-current assets decreased by €1,382 million, or 10%, primarily driven by a decrease in Other receivables from Siemens Group from €1,365 million as of September 30, 2017 to €0 as of March 31, 2018, in the course of refinancing of Siemens Healthineers prior to the IPO.

The Property, plant and equipment increased mainly related to equipment leased to Diagnostics' customers, Advances to suppliers and construction in progress.

A.6 Financial position

A.6.1 Capital structure

(in millions of €)	Mar 31, 2018	Sep 30, 2017	% Change
Current liabilities	5,498	10,110	–46%
Non-current liabilities	5,531	7,714	–28%
Equity	7,799	3,289	137%
Total liabilities and equity	**18,828**	21,113	–11%

Current liabilities

The decrease of current liabilities was due primarily to the decline of Payables to Siemens Group from €5,795 million as of September 30, 2017 to €1,366 million as of March 31, 2018. Further details stated in chapter *A.5 Assets positions*.

Non-current liabilities

Non-current liabilities decreased mainly due to the decline of Other liabilities to Siemens Group from €5,167 million as of September 30, 2017 to €3,788 million as of March 31, 2018 as a result of the early repayment of U.S. dollar long-term loans.

Provisions for pensions and similar obligations decreased as well from €1,732 million as of September 30, 2017 to €1,037 million as of March 31, 2018. In the second quarter of fiscal year 2018, Siemens Healthineers established a contractual trust arrangement (CTA) in Germany to finance its obligations related to defined benefit pension plans that had already been transferred from Siemens Group to Siemens Healthineers as part of the legal reorganization. During the interim reporting period Siemens Healthineers, received assets by way of a capital contribution, recognized within capital reserves, from Siemens AG which were funded into the CTA and classify as plan assets. As of March 31, 2018 their fair value amounts to €758 million. Siemens Healthineers' net defined benefit balance is reduced accordingly.

Equity

Equity increased from €3,289 million as of September 30, 2017 to €7,799 million as of March 31, 2018 due to the completion of the legal reorganization in advance of the IPO and the Net income of the first half of fiscal year 2018.

The increase was partly offset by profit transfer and dividends paid to Siemens Group.

Debt and credit facilities

Under a facilities agreement entered into between Siemens Group and Siemens Healthineers in the six months ended March 31, 2018, two credit facilities have been made available to Siemens Healthineers by Siemens AG. A multicurrency revolving credit facility in an amount of up to €1.1 billion, available until January 31, 2020, serves as a working capital and short-term loan facility. Of this credit facility a total of €0.6 billion were drawn as of March 31, 2018. Additionally, a multicurrency revolving credit facility in an amount of €1.0 billion, available until January 31, 2023, provides funding for back-up purposes. As of March 31, 2018 the back-up facility has not been drawn.

In addition, existing term loans in an aggregate volume of up to approximately €3.5 billion equivalent (carrying amount) and a maturity ranging from 2021 to 2046 remain outstanding between Siemens Group companies and certain companies of Siemens Healthineers. Those loans are denominated predominantly in U.S. dollar and are covered by separate agreements.

In addition, local bank facilities are in place to cover funding needs of certain Siemens Healthineers entities to which Siemens Healthineers is not able to provide direct funding.

A.6.2 Cash flows

(in millions of €)	First half 2018
Cash flows from:	
Operating activities	401
Investing activities	–441
Financing activities	57

(in millions of €)	First half 2018
Operating activities	**401**
Additions to intangible assets and property, plant and equipment	–219
Free cash flow	**183**

Operating activities

The cash provided by operating activities decreased by €361 million from €762 million in the six months ended March 31, 2017. This decrease was primarily due to a buildup of operating working capital. This was mainly driven by the increase of Contract assets and Inventories, caused largely by Imaging and Advanced Therapies segments, an increase in operating leases to customers in Diagnostics segment and additional cash out for IPO costs.

Investing activities

Cash outflows used in investing activities increased by €245 million from €196 million in the six months ended March 31, 2017. This increase was primarily due to cash outflows related to Acquisitions of businesses, net of cash acquired, which increased from €6 million in the six months ended March 31, 2017 to €227 million in the six months ended March 31, 2018 and related primarily to our acquisitions of Epocal, Inc. and Fast Track Diagnostics S.à.r.l.

Our investments are driven mainly by enhancing competitiveness and innovation. Our capital expenditures comprise additions to intangible assets, including capitalized development expenses for new platforms and a new integrated worldwide Enterprise Resource Planning ("ERP") solution (SAP) as well as Property, plant and equipment and equipment replacements, enhancements and extensions in the ordinary course of business as shown in our Consolidated Statements of Cash Flows. Our capital expenditures, including our ongoing investments, are funded by cash flows from operating activities, existing liquidity and partly by drawing on credit facilities agreed e.g. with Siemens Group. Additions to property, plant and equipment have grown faster than Revenue and have been principally related to investments required to expand our manufacturing and technical capabilities and facilities. For the fiscal year ending September 30, 2018, we have budgeted capital expenditures in an amount of approximately €0.5 billion.

Focus areas of ongoing investing activities of our segments are:

Imaging: Additions to property, plant and equipment in the first half of fiscal year 2018 mainly included the acquisition of new and specialized tooling, equipment and machinery, the expansion and reorganization of production facilities and processes as well as ongoing replacement purchases for machinery and equipment within the ordinary course of business. The expected investments in Property, plant and equipment for the second half of fiscal year 2018 relate to the same topics as mentioned above.

Diagnostics: Additions to property, plant and equipment have generally increased and have been principally related to investments in the production facilities. While the intangible capital expenditures have decreased mainly due to the commercial launch of Atellica Solution in September 2017. The expansion of the Atellica assay menu and development of further products within the Atellica product family will remain a major investment in the remaining fiscal year 2018.

Advanced Therapies: In the six months ended March 31, 2018, no major new investments were performed in this segment except for ongoing replacement purchases for machinery, specialized tools and equipment. We expect investments to remain mostly unchanged in remaining fiscal year 2018.

Financing activities

Cash flows provided by financing activities changed by €644 million from a cash outflow of €587 million in the six months ended March 31, 2017 to a cash inflow of €57 million in the six months ended March 31, 2018. This development was primarily due to Other transactions/financing with the Siemens Group resulting in a cash inflow of €386 million in the six months ended March 31, 2018 compared to a cash outflow of €280 million in the six months ended March 31, 2017 and was primarily related to capitalization measures in the context of the legal reorganization prior to the IPO. The development was partly offset by an increase in dividends paid to the Siemens Group from €188 million in the six months ended March 31, 2017 to €230 million in the six months ended March 31, 2018.

Cash pooling

As of March 31, 2018, we continue to participate in Siemens Group's cash pooling arrangements, including investing excess short term liquidity with Siemens Group but currently expect to set up our own cash pooling structure in the medium term to (partially) replace the participation in Siemens Group's cash pools.

A.7 Overall assessment of the economic position

In the six months ended March 31, 2018, we founded the new parent company Siemens Healthineers AG, which serves as our new holding company. In the wake of the IPO, which was carried out successfully on March 16, 2018, we performed major changes to the organization and segmentation.

In the six months ended March 31, 2018, we continued to grow as expected, especially our comparable Revenue growth as well as our Adjusted profit margin were on track with our forecasts. We reached significant milestones for the strategic development of Siemens Healthineers and initiated important measures to further strengthen our portfolio.

A.8 Report on expected developments

A.8.1 Worldwide economy

Global economy growth will increase slightly in fiscal year 2018 compared to fiscal year 2017. Worldwide GDP is expected to grow by 3.1% in calendar year 2018, which constitutes the highest growth rate since 2010. Emerging markets are forecasted to benefit from stronger global growth and rising commodity prices. The U.S. economy is anticipated to see moderate growth of 2.7% which is supported by tax reductions and infrastructure projects. GDP growth is driven by consumer spending, which is supported by declining unemployment, rising incomes and household wealth. This development probably will be supported by strengthening markets in calendar year 2018. Interest rates are anticipated to continue to gradually rise led by some central bank rates. The expansion in the Eurozone is expected to continue, with a GDP forecast of 2.2% after a prolonged period of stagnation and recession. Supportive factors include continued monetary stimulus, reduced headwinds from fiscal policy and improving confidence of companies and households. GDP growth in China is expected to moderate further in calendar year 2018 to 6.6%, down from 6.8% in 2017. However, the near-term strength masks longer-term fragilities, especially very high debt levels. Also, the government has made only slow progress in reducing overcapacities. The forecasts presented here for GDP are based on forecasts and statistics published by the IMF and World Bank.

A.8.2 Business development

Market development

In the remaining fiscal year 2018, market volume measured in euro is expected to be influenced by negative currency translation effects. For fiscal year 2018, markets for Siemens Healthineers are expected to stay on a moderate growth path. Our markets continue to benefit from long-term trends such as growing and aging populations and from broader access to healthcare, but are restricted by public spending constraints and by consolidation of healthcare providers. On a geographic basis, we expect slight growth in the U.S., held back by continued pressure to increase utilization of existing equipment, reduced reimbursement rates and policy uncertainty. For Europe, we also expect slight growth, with equipment replacement and business with large customers such as hospital chains gaining further importance. For China, we expect moderate growth due to continuously growing government spending on healthcare, promoting the private segment and expanding access on county level, pronounced effects of aging and growing incidence of chronic diseases, partly held back by governmental restrictions such as centralized tendering and regulatory oversight of large-scale equipment allocation and use. Governments in a number of countries show the intention to establish protectionist initiatives and policies which support local suppliers.

We are exposed to currency translation effects, particularly involving the U.S. dollar and currencies of emerging markets, such as the Chinese yuan. We expect volatility in global currency markets to continue in the six months ending September 30, 2018. Siemens Healthineers is still a net exporter from the Eurozone to the rest of the world, which means that a weak euro is principally favorable for our business and a strong euro is principally unfavorable. We hedge currency risks in our export business using derivative financial instruments. We expect this measure to help us limit effects on income related to currency fluctuations in the second half of fiscal year 2018.

Segment development

The Imaging segment will primarily be driven by the most recent and planned launches of new products and platforms and sales of imaging products and services from our existing portfolio. We expect mid-single digit growth in the Imaging segment to achieve the fiscal year targets.

The Diagnostics segment will benefit from new products and from fundamental drivers such as the increased demand from emerging markets, the expected rise in awareness of wellness testing as well as the improvement of diagnostics techniques, which altogether are expected to drive incremental market expansion. In the Diagnostics segment we expect modest growth to achieve the fiscal year targets.

The Advanced Therapies segment is positively influenced by sustainable developments of the business environment in all addressed clinical areas, such as an increased complexity of interventional surgery as well as an increase in minimally invasive treatments. These market drivers expectedly will increase demand for products and solutions of the segment, supporting our growth expectations. We expect moderate growth in the segment Advanced Therapies to achieve the fiscal year targets.

A.8.3 Overall assessment of the expected development

We continue to expect Comparable Revenue growth to be in the range of 3% to 4% for the fiscal year ending September 30, 2018 compared to the fiscal year ended September 30, 2017.

We expect our Adjusted profit margin for the fiscal year ending September 30, 2018 to be in the range of 17% to 18%.

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

A.9 Report on material risks and opportunities

A.9.1 Risks

A.9.1.1 Risk management

Our risk management policy stems from a philosophy of pursuing sustainable growth and creating economic value while managing appropriate risks and opportunities and avoiding inappropriate risks. As risk management is an integral part of how we plan and execute our business strategies, our risk management policy is set by the Managing Board. Our organizational and accountability structure requires each of the respective managements of our Siemens Healthineers business, zones and Siemens Healthineers functions to implement risk management programs that are tailored to their specific business and responsibilities, while being consistent with the overall policy.

We have implemented and coordinated a set of risk management and control systems which support us in the early phases of development that could jeopardize the continuity of our business. The most important of these systems include our enterprise wide processes for strategic planning and management reporting. Strategic planning is intended to support us in considering potential risks well in advance of major business decisions, while 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 system. Accordingly, if deficiencies are detected, it is possible to adopt appropriate measures for their elimination. 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 that is integrated into the organization and that addresses both risks and opportunities. Our ERM approach is based on the globally accepted Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 'Enterprise Risk Management – Integrated Framework' (2004) and is adapted to Siemens Healthineers requirements. It additionally conforms to International Organization for Standardization ("ISO") Standard 31000 (2009).

Our ERM process aims for early identification and evaluation of, and response regarding, 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 risk approach, addressing risks and opportunities remaining after the execution of existing control measures. If risks have already been considered in plans, budgets, forecasts or the financial statements (e. g. as a provision or risk contingency), they are supposed to be incorporated with their financial impact in the entity's business objectives. As a consequence, only additional risks arising from the same subject (e. g. deviations from business objectives, different impact perspectives) should be considered for the ERM. In order to provide a comprehensive view on our business activities, risks and opportunities are identified in a structured way combining elements of both top-down and bottom-up approaches. Reporting generally follows a quarterly cycle while 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 business, zones and central functions. 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 regarding potential cumulative effects and are aggregated within and for each of the organizations mentioned above.

Responsibilities are assigned for all relevant risks and opportunities, with the hierarchical level of responsibility depending on the significance of the respective risk or opportunity. In a first step, assuming responsibility for a specific risk or opportunity involves choosing one of our general response strategies. Our general response strategies with respect to risks are avoidance, transfer, reduction or acceptance of the relevant risk. Our general response strategy with respect to opportunities is to 'seize' the relevant opportunity. In a second step, responsibility for a risk or opportunity also involves the development, initiation and monitoring of appropriate response measures corresponding to the chosen response strategy in a timely manner. These response measures have to be specifically tailored to allow for effective risk management. Accordingly, we have developed a variety of response measures with different characteristics.

Below we describe the risks that could have a material adverse effect on our business, financial condition (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 relative 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.9.1.2 Strategic risks

Increasing governmental protectionism

Protectionist trade policies and changes in the political and regulatory environment in the markets in which we operate, such as import and export controls, tariffs and other trade barriers including debarment from certain markets and price or exchange controls, could affect our business in several national markets and could impact our business, financial position and results of operations; and may expose us to penalties, other sanctions and reputational damage. In particular the current protectionist developments enforced by the U.S. Government and looming punitive trade tariffs on different goods pose a threat to the open access of the North American markets, which are of great importance to our business. The imposition of import customs duties and non-refundable taxes on foreign value add may result in the necessity to reduce transfer prices due to the inability to pass the taxes on to customers. In addition, the uncertainty of the legal environment in some regions could limit our ability to enforce our rights and subject us to increasing costs related to appropriate compliance programs. To counter these risks we closely observe the political situation and its indicators in order to identify critical cases with the objective to adapt our processes and business model to any changes due to protectionism and educate the organization in respect to these changes.

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, financing terms and shifts in market demands. We face strong existing competitors and also competitors from emerging markets, which may have a better cost structure. Next to these existing competitors there is a risk that new competitors enter in our markets. Such new competitors could be healthcare providers in the low-price segment or in niche markets, independent service organizations or global players who plan to expand their business portfolio. This might lead to price reductions or a loss of market share. We address this risk by monitoring the existing competitors and the known potential competitors as well as observing the market entry barriers and finally by information sharing with industrial associations.

Some sectors in which we operate are undergoing consolidation, which may result in stronger competition, a change in our relative market position, or unexpected price erosion. Furthermore, there is a risk of take-overs of crucial suppliers by competitors and a risk that competitors are increasingly offering services for our installed base. We address these risks with various measures, for example benchmarking, strategic initiatives, sales push initiatives, executing productivity measures and target cost projects, rightsizing of our footprint, outsourcings, mergers and joint ventures, exporting from low-cost countries to price-sensitive markets, and optimizing our product portfolio. We continuously monitor and analyze competitive and market information in order to be able to anticipate unfavorable changes in the competitive environment rather than merely reacting to such changes.

Product mix shift

We design, manufacture and sell a diverse portfolio of Imaging, Diagnostics and Advanced Therapies products, systems and services (including accessories and software products) to a wide range of healthcare providers. Many of our products, systems and services are at the cutting edge of existing technologies and medical advances. Our products, systems, services and our enhancements thereof often have long development and government approval cycles, which require us, as a result, to accurately anticipate changes in the marketplace, in technology and in customer demands. On the one hand the development of new technologies and enhancing existing technologies may require significant investment in R&D, clinical trials and numerous country-specific regulatory approvals. On the other hand such cutting edge technology products typically have a higher Profit margin. However, the demand for standard and basic products, rendering lower margins, increased particularly in emerging markets. In case we fail to adapt our product mix and production capabilities quick enough to changes in the marketplace, in technology and in customer demands for high-end, standard and basic products, especially in emerging markets, this could result in negative effects in our Profit. As a countermeasure we employ a close monitoring of the market development in order to better anticipate future developments, adapt our product roadmap to future demands and determine how to lower operating expenses to increase competitiveness for basic and standard products.

Development and competitive position of products

The markets in which our businesses operate experience rapid and significant changes due to the introduction of innovative and disruptive technologies. In the fields of digitalization, there are risks of new competitors, substitutions of existing products/solutions/services, niche players, new business models and finally the risk that our competitors may have faster time-to-market strategies and introduce their digital products and solutions faster than we can. Our operating results depend to a significant extent on our technological leadership, our ability to anticipate and adapt to changes in our markets and to reduce the costs of producing our products. Introducing new products and technologies requires a significant commitment to R&D, which in return requires expenditure of considerable financial resources that may not always result in success. Our results of operations may suffer if we invest in technologies that do not operate or may not be integrated as expected, or that are not accepted in the marketplace as anticipated, or if our products, solutions or systems are not introduced to the market in a timely manner, particularly compared to our competitors, or even become obsolete. We constantly apply for new patents and actively manage our intellectual property portfolio to secure our technological position. However, our patents and other intellectual property may not prevent competitors from independently developing or selling products and services that are similar to or duplicates of ours.

Economic, political and geopolitical conditions (macroeconomic environment)

We see a high level of uncertainty regarding the global economic outlook. Significant downside risks stem e. g. from an increasing trend towards populism and from the consequences of the Brexit negotiations. The U.K. exit process could heighten business and consumer uncertainty, reduce investment in the U.K., pose risks to financial markets and may increase the uncertainties about the future of the European Union (EU) in general. A further and massive loss of economic confidence and a prolonged period of reluctance in investment decisions and awarding of new orders would hit our businesses. We continuously monitor the exit process and established, for example, a task force coordinating our local and global mitigation measures. Both global and regional investment climates could collapse due to political upheavals, further independence debates within countries in the EU, or sustained success of protectionist, anti EU and anti-business parties and policy. Significant business risk stems from an abrupt weakening of Chinese economic growth. A rapid tightening of monetary policy by the U.S. Federal Reserve could cause a depreciation spiral among emerging market currencies. This could lead to a renewed emerging market crisis because debt levels of emerging market enterprises have risen, making them dependent on favorable global financial conditions to service debts denominated in foreign currencies. Emerging market operations involve further various risks, including civil unrest, health concerns e.g. for employees, cultural differences such as employment and business practices, volatility in gross domestic product, economic and governmental instability, the potential for nationalization of private assets and the imposition of exchange controls. A terrorist mega-attack or a significant cybercrime incident, or a series of such attacks or incidents in major economies, could depress economic activity globally and undermine consumer and business confidence. Further risks stem from geopolitical tensions (e. g. in Syria, Ukraine, Russia, Turkey and North Korea), and from an increasing vulnerability of the connected global economy to natural disasters. If the moderate recovery of macroeconomic growth stalls again and if we are not successful in adapting our production and cost structure to subsequent changes in conditions in the markets in which we operate, there can be no assurance that we will not experience adverse effects. For example, it may become more difficult for our customers to obtain financing. As a result, they may modify, delay or cancel plans to purchase our products, solutions and services, or fail to follow through on purchases or contracts already executed. Furthermore, the prices for our products, solutions and services may decline, as a result of adverse market conditions, to a greater extent than we currently anticipate. Siemens Healthineers global setup with operations in almost all relevant economies, the variety of our products and services help us to absorb the impact of an adverse development in a single market. We also try to focus on and prioritize certain markets, services or products that will minimize the risks mentioned above. Moreover transactions in foreign currencies are hedged in order to mitigate exchange rate risks.

A.9.1.3 Operational risks

Quality problems and operational failures in our value chain processes

Our value chain comprises all steps, from R&D to supply chain management, production, marketing, sales and services. Operational failures in our value chain processes could result in quality problems or potential product, labor safety, regulatory or environmental risks. From time to time, some of the products we sell might have quality issues resulting from the design or manufacture of these products or the commissioning of these products or the software integrated into them. But also problems arising from (single source) suppliers and partners for certain products and services, who often cannot be readily substituted, can lead to the above mentioned risks. This can lead to increased costs for the correction of such problems and also have guarantee or warranty claims as a consequence. Moreover this may also lead to claims from damage compensation and litigations. Our business is subject to regulatory authorities including the U.S. Food and Drug Administration ("FDA") and the European Commission's Health and Consumer Policy Department, which require us to make specific efforts to safeguard our product safety. If we are not able to comply with these requirements, our business and reputation may be adversely affected. We have established multiple measures for quality improvement and claim prevention. The increased use of quality management tools especially within sales and services departments is improving visibility and enables us to strengthen our root cause and prevention processes.

Breach of protected health information

Our products and systems receive, generate and store significant and increasing volumes of personal and sensitive information and are therefore subject to stringent privacy and information security regulations with respect to, among other things, the use and disclosure of protected health information and the confidentiality, integrity and availability of such information. Next to the general regulatory requirements in regard to data protection the healthcare sector is subject to specific privacy directives with regard to a wide range of health information. This data protection legislation is comprehensive and complex particularly within the European Economic Area ("EEA"), Switzerland and the U.S. Despite security measures, it cannot be ruled out that the confidentiality of such data and information may be breached, as a result of failure to anonymize shared health data, data leaks or otherwise, or that doubts may arise regarding the security of the data and information collected and managed by or for us. Breach of these regulations could lead to litigation costs, compensation payments, penalties, black listing within certain markets or criminal sanctions as well as result in a loss of reputation. The realization of any of these risks could have an adverse effect on our business, financial condition and results of operations, reputation or prospects. We address this risk by managing and improving our IT-security and the respective systems e.g. by ongoing analyses of IT-data security, reduction of vulnerable systems and by training our staff.

A.9.1.4 Financial risks

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. As a result, the devaluation of the U.S. dollar against the euro can result in a material adverse effects on our Profit depending on our hedging program. Other material currencies from a foreign currency effect perspective include the Chinese yuan, Japanese yen, Korean won and the British pound. A strengthening of the euro may change our competitive position. We are also exposed to fluctuations in interest rates.

Increasing market fluctuations may result in significant earnings and cash flow volatility risk for us. Our worldwide operating business as well as our investment and financing activities are affected particularly by changes in foreign exchange rates and interest rates.

In order to optimize the allocation of the financial resources across our segments and entities, as well as to achieve our objectives, we identify, analyze and manage the associated 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.

Liquidity and financing risk

Our treasury and financing activities could face adverse deposit and / or financing conditions from negative developments related to financial markets, such as (1) limited availability of funds (particularly U.S. dollar funds) and hedging instruments; (2) an updated evaluation of our solvency, particularly from rating agencies; (3) impacts arising from more restrictive regulation of the financial sector, central bank policy, or financial instruments; (4) termination of the financing from Siemens AG or other Siemens Group entities or worsening financial situation of our main financial provider Siemens AG. Widening credit spreads due to uncertainty and risk aversion in the financial markets might lead to adverse changes of fair values of our financial assets, in particular our derivative financial instruments.

Risks from pension obligations

The funded status of our pension plans may be affected by changes in actuarial assumptions, including discount rates, as well as movements in financial markets or a change in the mix of assets in our investment portfolio. In order to comply with local pension regulations in selected foreign countries, we may face a risk of increasing cash outflows to reduce an underfunding of our pension plans in these countries. For further information about pension obligations, please see *Note 15 – Provisions for pensions and similar obligations* to the Combined Financial Statements for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015.

A.9.1.5 Compliance risks

Cybersecurity

Our business portfolio is dependent on digital technologies. We observe a global increase of IT security threats and higher levels of professionalism in Cybercrime, which pose a risk to the security of products, systems and networks and the confidentiality, availability and integrity of data. Similar to other large multinational companies, we are facing active cyber threats from sophisticated adversaries that are supported by organized crime and nation-states engaged in economic espionage or even sabotage. In order to cope with this risk, several national authorities like the FDA have set up rules for cybersecurity measures to be integrated into healthcare equipment, software and services in order to reasonably ensure the benefits to patients outweigh the risks. Non-compliance with these rules could lead to compensation payments, penalties, black listing within certain markets as well as result in a loss of reputation. We minimize this risk by engaging in several measures, such as training of staff and device operators, comprehensive monitoring of our networks and systems by a cyber security operation center applying protective systems like firewalls and ongoing detection and removal of loopholes by a specialized workforce. Moreover, we implement these cyber security requirements within the development of new products and services and upgrade existing systems.

Changes of regulations, laws and policies

As a diversified medical technology company with global businesses, we are exposed to various increasingly complex product and country related regulations, laws and policies influencing our business activities and processes. Changes to the current regulations, increased regulatory requirements or increased regulatory enforcement activities could lead to unforeseen expenses and negatively impact our financial statements as well as our time to market for certain products or product life cycles. Next to internal and external audits with respect to compliance of laws and regulations, we monitor the political and regulatory landscape in all our key markets to anticipate potential problem areas with the aim to quickly adjust our business activities and processes to changed conditions. However, any changes of regulations, laws and policies can adversely affect our business activities and processes as well as our financial condition and results of operations.

Violations of corruption or antitrust legislation or other violations of law

Proceedings against us regarding allegations of corruption, of antitrust violations and of other violations of law may lead to criminal and civil fines as well as penalties, sanctions, injunctions against future conduct, profit disgorgements, disqualifications from directly and indirectly engaging in certain types of business, the loss of business licenses or permits or other restrictions and legal consequences. These consequences could indirectly affect us if they relate to violations committed by one of our indirect sales channels or business partners. Accordingly, we may, among other things, be required to comply with potential obligations and liabilities arising in connection with such investigations and proceedings, including potential tax penalties. A considerable part of our business activities involve governments and companies with public shareholders. We also participate in a number of projects funded by government agencies and intergovernmental and supranational organizations, such as multilateral development banks. Potential future investigations into allegations of corruption, antitrust violations or other violations of law could as well impair relationships with such business partners or could result in the exclusion of public contracts. Such investigations may also adversely affect existing private business relationships and our ability to pursue potentially important strategic projects and transactions, such as strategic alliances, joint ventures or other business cooperations, or could result in the cancellation of certain of our existing contracts. Moreover, third parties, including our competitors, could initiate litigation claims. In addition, future developments in potential future investigations, such as responding to the requests of governmental authorities and cooperating with them, could divert management's attention and resources from other issues facing our business. Furthermore, we might be exposed to compliance risks in connection with recently acquired operations that are in the ongoing process of integration. Besides other measures like general antitrust trainings, Siemens Healthineers established a global compliance organization that conducts among others compliance risk mitigation processes such as compliance risk assessments, and which has been reviewed by external compliance experts.

A.9.1.6 Assessment of the overall risk situation

The most significant challenges have been mentioned first in each of the four categories strategic, operational, financial and compliance risks. The risks caused by quality problems and operational failures in our value chain processes, medical device cybersecurity and changes of regulations, laws and policies are the most significant risks we are currently exposed to. Our exposure for all remaining risks described above is on a constant lower level than the three major risks mentioned. At present, no risks have been identified that either individually or in combination could endanger our ability to continue as a going concern.

A.9.2 Opportunities

Below we describe our most significant opportunities. Unless otherwise stated, the opportunities described below relate to all of our segments. The order in which the opportunities are presented reflects the currently estimated relative exposure for Siemens Healthineers associated with these opportunities and thus provides an indication of the opportunities' current importance to us. 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 see today will never materialize.

New business models and services from digitalization

Innovation is a central part of the entrepreneurial concept of Siemens Healthineers. We do this by investing significantly in R&D in order to develop innovative sustainable solutions for our customers in the area of digitalization and to simultaneously safeguard our competitiveness. We are an innovative company and invent new technologies that we expect will meet future demands arising from the megatrends which are a growing and ageing global population, the economic development in emerging countries, the increase in chronic diseases and the transformation of healthcare providers. We try to generate additional volume and Profit from new and innovative digital products, services and solutions, including cyber security for our customers, preventive maintenance and data analytics amongst others. The future progress in digitalization will introduce a wide range of new digital solutions for services and products for our customers. For this purpose, we entered into alliances with developers and providers, who will seek for new revenue streams based on digitalization. This approach will allow us to strengthen our position along the value chain of digitalization and automation to provide new and more products and services and increase market penetration.

Achievement of synergies and cross selling

We strive to further strengthen our cross selling activities of Diagnostics products, e.g. Laboratory Diagnostics, to our existing Imaging and Advanced Therapies customers and therefore increase our win rate while at the same time reducing customer acquisition time and costs.

International funding and national programs

We expect that upcoming (inter)national funding from aid organizations such as the World Health Organization ("WHO") or EU and governmental funding or subsidies will further increase in the near future. This will enlarge spending in private hospitals, particularly in central Europe, Middle East and Africa. Leading to additional growth in these markets, especially for standard and basic products and services.

Growth into adjacent markets

Our activities currently concentrate on healthcare solutions and services in the human medicine sector. Our Healthcare specific and technological knowhow in this area could also be applied to other adjacent markets, such as veterinary medicine or further surgery specific equipment and services, leading to an increase in Revenue and supporting our overall growth.

Through sales initiatives and masterplans, we continuously strive to grow and expand our business in established markets, open up new markets for existing and new portfolio elements and strengthen our installed base in order to gain a higher market share and increased Profits.

Licensing of our intellectual property

Intellectual property rights, such as patents, for outdated technology or for discontinued products, could be licensed to third parties in order to generate further revenues and increase Profits. In this context, we are constantly analyzing our portfolio of intellectual property for unexploited licensing potential and simultaneously searching and negotiating with potential third party companies.

A.9.3 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 (Interim) Management Report of Siemens Healthineers are prepared in accordance with all relevant regulations.

Our ERM approach is based on COSO's "Enterprise Risk Management – Integrated Framework". As one of the objectives of this framework is reliability of a company's financial reporting, it includes an accounting-related perspective. Our accounting-related internal control system ("control system") is based on the internationally recognized "Internal Control – Integrated Framework" 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 implemented control system, both in design and operating effectiveness. We have a standardized procedure under which necessary controls are defined, documented in accordance with uniform standards, and tested regularly on their effectiveness. Nevertheless, there are inherent limitations on the effectiveness of any control system, and no system, including one determined to be effective, may prevent or detect all misstatements.

Our Consolidated Financial Statements are prepared on the basis of a conceptual framework which primarily consists of uniform Financial Reporting Guidelines and a chart of accounts, which are centrally issued by Siemens Group. Siemens Healthineers AG and other companies within Siemens Healthineers are required to prepare financial statements in accordance with 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 quarterly 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. The preparation of the closing data of most of our entities is supported by an internal shared services organization. Since Siemens Healthineers is part of Siemens Group and is included in its financial reporting, a close coordination within the general closing process with Siemens Group reporting department is needed in order to ensure a Siemens Group wide consistent communication. Furthermore, other accounting activities, such as governance and monitoring related activities, are usually bundled on regional level. In particular cases, such as valuations relating to post-employment benefits, external experts are used. 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 contain defined access rules protecting them from unauthorized access. On a quarterly basis, an internal certification process is executed. Management of different levels of our organization, supported by confirmations of management of entities under their responsibility, confirms the accuracy of the financial data that has been reported to Siemens Healthineers headquarter and reports on the effectiveness of the related control systems.

Our internal audit function systematically evaluates our financial reporting integrity, the effectiveness of the control system and the risk management system, and the adherence to our compliance policies. In addition, the Audit Committee is integrated into our control system. In particular, it oversees the accounting and 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 non-financial information prior to publication. Moreover, we have rules for accounting-related complaints.

A.10 Related party transactions

Siemens Healthineers maintains business relations with Siemens Group and with associates of both Siemens Group and Siemens Healthineers. Siemens Group is a related party, as Siemens AG controls Siemens Healthineers. For further information about our related party transactions see *Note 10 - Related party transactions* in the Notes to Half-year Consolidated Financial Statements as of March 31, 2018.

Half-year Consolidated Financial Statements

B.1 Consolidated Statements of Income

(in millions of €, per share amounts in €)	Note	Q2 2018	Q2 2017	First half 2018	First half 2017
Revenue	9	3,226	3,396	6,425	6,723
Cost of sales		–1,882	–2,007	–3,752	–3,920
Gross profit		**1,344**	**1,389**	**2,673**	**2,803**
Research and development expenses		–309	–312	–614	–606
Selling and general administrative expenses		–527	–573	–1,065	–1,109
Other operating income		3	4	18	5
Other operating expenses	10	–89	–5	–101	–9
Income/loss from investments accounted for using the equity method, net		1	1	4	4
Interest income	10	27	2	31	6
Interest expenses		–60	–67	–130	–135
Other financial income/expenses, net		–2	-	–6	1
Income before income taxes		**389**	**439**	**809**	**960**
Income tax expenses	2	–81	–134	–192	–294
Net income		**308**	**305**	**618**	**666**
Attributable to:					
Non-controlling interests		4	5	8	7
Shareholders of Siemens Healthineers AG		304	300	610	659
Basic earnings per share	**6**	**0.30**	**0.30**	**0.61**	**0.66**
Diluted earnings per share	**6**	**0.30**	**0.30**	**0.61**	**0.66**

B.2 Consolidated Statements of Comprehensive Income

(in millions of €)	Q2 2018	Q2 2017	First half 2018	First half 2017
Net income	**308**	305	**618**	666
Remeasurements of defined benefit plans	–8	39	–39	238
therein: Income tax effects	–14	–19	–35	–102
Items that will not be reclassified to profit or loss	**–8**	39	**–39**	238
Currency translation differences	72	72	111	–124
Derivative financial instruments	–7	13	–1	2
therein: Income tax effects	3	–6	-	–2
Items that may be reclassified subsequently to profit or loss	**65**	85	**110**	–122
Other comprehensive income, net of income taxes	**57**	124	**71**	116
Total comprehensive income	**365**	429	**689**	782
Attributable to:				
Non-controlling interests	2	9	5	8
Shareholders of Siemens Healthineers AG	363	420	684	774

B.3 Consolidated Statements of Financial Position

(in millions of €)	Note	Mar 31, 2018	Sep 30, 2017
Assets			
Cash and cash equivalents		196	184
Trade and other receivables		2,311	2,308
Other current financial assets		74	57
Receivables from Siemens Group	10	1,687	2,991
Contract assets		458	294
Inventories		1,833	1,605
Current income tax assets		50	79
Other current assets		281	276
Total current assets		**6,890**	**7,794**
Goodwill		7,911	7,992
Other intangible assets		1,545	1,525
Property, plant and equipment		1,673	1,566
Investments accounted for using the equity method		34	33
Other financial assets		153	162
Other receivables from Siemens Group	10	-	1,365
Deferred tax assets	2	371	408
Other assets		251	268
Total non-current assets		**11,937**	**13,319**
Total assets		**18,828**	**21,113**
Liabilities and equity			
Short-term debt and current maturities of long-term debt		56	55
Trade payables		1,119	1,120
Other current financial liabilities		67	72
Payables to Siemens Group	10	1,366	5,795
Contract liabilities		1,480	1,406
Current provisions		275	290
Current income tax liabilities		137	122
Other current liabilities		997	1,250
Total current liabilities		**5,498**	**10,110**
Long-term debt		16	15
Provisions for pensions and similar obligations	4	1,037	1,732
Deferred tax liabilities	2	157	259
Provisions		150	153
Other financial liabilities		37	23
Other liabilities		346	365
Other liabilities to Siemens Group	10	3,788	5,167
Total non-current liabilities		**5,531**	**7,714**
Total liabilities		**11,029**	**17,824**
Issued capital		1,000	-
Capital reserve		11,169	-
Retained earnings/Net assets[1]		–3,728	4,045
Other components of equity		–651	–764
Total equity attributable to shareholders of Siemens Healthineers AG		**7,790**	**3,281**
Non-controlling interests		9	8
Total equity	**5**	**7,799**	**3,289**
Total liabilities and equity		**18,828**	**21,113**

1) As of September 30, 2017, Siemens Healthineers was not a legally separable subgroup for which consolidated financial statements had to be prepared according to IFRS 10. Therefore, as of September 30, 2017, Combined Financial Statements were prepared in which Net assets attributable to Siemens Group were presented. See *Note 1 – Basis of presentation* in the accompanying Notes.

B.4 Consolidated Statements of Cash Flows

(in millions of €)	First half 2018	First half 2017
Cash flows from operating activities		
Net income	**618**	666
Adjustments to reconcile net income to cash flows from operating activities		
Amortization, depreciation and impairments	248	283
Income tax expenses	192	294
Interest income/expenses, net	99	128
Income related to investing activities	–1	-
Other income from investments	–2	–4
Other non-cash expenses	38	32
Change in operating net working capital		
Contract assets	–176	–91
Inventories	–251	–169
Trade and other receivables	108	96
Trade payables	31	25
Contract liabilities	71	132
Change in other assets and liabilities	–269	–312
Additions to assets leased to others in operating leases	–117	–106
Income taxes paid	–72	–50
Income taxes paid by Siemens Group on behalf of Siemens Healthineers	–122	–171
Dividends received	1	1
Interest received	6	8
Cash flows from operating activities	**401**	762
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	–219	–193
Acquisitions of businesses, net of cash acquired	–227	–6
Disposal of investments, intangibles and property, plant and equipment	4	3
Cash flows from investing activities	**–441**	–196
Cash flows from financing activities		
Change in short-term debt and other financing activities	2	9
Interest paid	–3	–2
Dividends paid to Siemens Group	–230	–188
Dividends paid to non-controlling interest holders	–9	–2
Interest paid to Siemens Group	–90	–124
Other transactions/financing with Siemens Group	386	–280
Cash flows from financing activities	**57**	–587
Effect of changes in exchange rates on cash and cash equivalents	**–5**	2
Change in cash and cash equivalents	**12**	–19
Cash and cash equivalents at beginning of period	**184**	206
Cash and cash equivalents at end of period	**196**	187

B.5 Consolidated Statements of Changes in Equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings/ Net assets[1]	Currency translation differences	Derivative financial instruments	Total equity attributable to share-holders of Siemens Healthi-neers AG	Non-controlling interests	Total equity
Balance as of October 1, 2016	-	-	3,239	–767	-	2,472	33	2,505
Net income	-	-	659	-	-	659	7	666
Other comprehensive income	-	-	238	–125	2	115	1	116
Profit and loss transfer with Siemens Group	-	-	–547	-	-	–547	-	–547
Dividends	-	-	–188	-	-	–188	–2	–190
Other changes in equity	-	-	212	-	-	212	–42	170
Balance as of March 31, 2017	-	-	3,613	–892	2	2,723	–3	2,720
Balance as of October 1, 2017	-	-	4,045	–762	–2	3,281	8	3,289
Net income	-	-	610	-	-	610	8	618
Other comprehensive income	-	-	–39	114	–1	74	–3	71
Profit and loss transfer with Siemens Group	-	-	–778	-	-	–778	-	–778
Dividends	-	-	–230	-	-	–230	–9	–239
Other changes in equity	-	-	4,833	-	-	4,833	5	4,838
Allocation of net assets according to legal structure	1,000	11,169	–12,169	-	-	-	-	-
Balance as of March 31, 2018	**1,000**	**11,169**	**–3,728**	**–648**	**–3**	**7,790**	**9**	**7,799**

1) As of September 30, 2017, Siemens Healthineers was not a legally separable subgroup for which consolidated financial statements had to be prepared according to IFRS 10. Therefore, as of September 30, 2017, Combined Financial Statements were prepared in which Net assets attributable to Siemens Group were presented. See *Note 1 – Basis of presentation* in the accompanying Notes.

B.6 Notes to Half-year Consolidated Financial Statements

NOTE 1 – Basis of presentation

First-time Consolidated Financial Statements of Siemens Healthineers AG

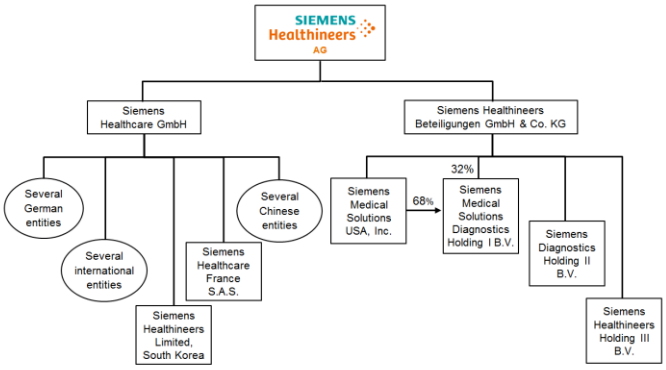
On August 3, 2017, Siemens AG announced its plans to publicly list Siemens Healthineers' business in the form of an initial public offering ("IPO"). Siemens Healthineers' business was separated from Siemens AG and its subsidiaries ("Siemens Group") in two steps. In an initial preparatory step, activities that had not been conducted by separate companies have been transferred to separate legal entities. In a second step, Siemens Healthineers AG, registered in Munich, Germany, was established in a notarial foundation deed on December 1, 2017, and all companies comprising Siemens Healthineers' business have been bundled under Siemens Healthineers AG and its direct and indirect subsidiaries (collectively referred to hereafter as "Siemens Healthineers", "Company" or "Group").

The Group's business is conducted by Siemens Healthcare GmbH and its direct and indirect subsidiaries as well as the direct and indirect subsidiaries of Siemens Healthineers Beteiligungen GmbH & Co. KG. The interest in Siemens Healthcare GmbH and the sole limited partner interest as well as the shares of the general partner in Siemens Healthineers Beteiligungen GmbH & Co. KG were contributed to Siemens Healthineers AG by Siemens Group against issuance of new shares. The domination and profit and loss transfer agreement between Siemens AG and Siemens Healthcare GmbH was terminated by way of mutual termination agreement with effect as of March 31, 2018.

Combined Financial Statements were prepared for Siemens Healthineers' business in line with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015, and for the interim reporting period from October 1, 2017 to December 31, 2017, in accordance with the requirements of International Accounting Standard ("IAS") 34, Interim Financial Reporting (collectively referred to hereafter as "Combined Financial Statements"). These Combined Financial Statements were published in the context of the IPO of Siemens Healthineers AG in a listing prospectus, which is available on Siemens Healthineers' website.

The legal reorganization of the Group was completed during the interim reporting period ended March 31, 2018. Until this completion, the net assets of Siemens Healthineers' business were not controlled by Siemens Healthineers AG nor another legal entity within the Siemens Healthineers business in the meaning of IFRS 10, Consolidated Financial Statements, and the accounting principles as described in the Combined Financial Statements have been applied.

The following chart provides a simplified overview of the current structure of the Group after completion of the legal reorganization (except as otherwise indicated, all shareholdings are 100%):



As of March 31, 2018, the net assets of Siemens Healthineers' business are controlled by Siemens Healthineers AG within the meaning of IFRS 10. Therefore, first-time Consolidated Financial Statements have been prepared in accordance with the rules of IFRS 1, First-Time Adoption of International Financial Reporting Standards, for the interim reporting period ended March 31, 2018.

As consolidated financial statements previously were not required to be prepared for the combined Siemens Healthineers business, no reconciliation for the consolidated equity and for the consolidated total comprehensive income is required pursuant to IFRS 1.

The Company applied the predecessor accounting approach using the carrying amounts (including Goodwill) recognized in the IFRS Consolidated Financial Statements of Siemens AG, according to IFRS 1.18 in conjunction with IFRS 1.D16(a). No other exemptions permitted under IFRS 1 were used in the Consolidated Financial Statements presented here.

Information on the condensed Half-year Consolidated Financial Statements

Siemens Healthineers AG has prepared the condensed Half-year Consolidated Financial Statements as of and for the interim reporting period ended March 31, 2018 ("Half-year Consolidated Financial Statements") in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and as adopted by the EU, in particular in accordance with IAS 34.

The Half-year Consolidated Financial Statements have been prepared and published in millions of euro (€ million). Rounding differences may occur in respect of individual amounts or percentages.

The comparative information presented in the Half-year Consolidated Financial Statements is labelled as "consolidated" and derived from the presentation in the Combined Financial Statements.

The Half-year Consolidated Financial Statements are unaudited and were authorized for issue on April 27, 2018 by the Managing Board of Siemens Healthineers AG.

NOTE 2 – Significant accounting policies and critical accounting estimates

The accounting principles applied in the preparation of the Half-year Consolidated Financial Statements are consistent with those used in the preparation of the Combined Financial Statements.

Key accounting estimates and judgments

Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the results of operations, financial positions and cash flows of the Company. Critical accounting estimates could also involve estimates where Siemens Healthineers reasonably could have used a different estimate in the current accounting period. Siemens Healthineers cautions that future events often vary from forecasts and that estimates routinely require adjustment. Estimates and assumptions are reviewed on an on-going basis, and changes in estimates and assumptions are recognized in the period in which the changes occur and in future periods impacted by the changes.

From October 1, 2017, the useful life of instruments leased to customers in an operating lease in the segment Diagnostics has been increased from five to seven years to reflect the updated expected utility of these assets to Siemens Healthineers.

Basis of consolidation

The Half-year Consolidated Financial Statements include the accounts of Siemens Healthineers AG and its subsidiaries over which the Company has control. Siemens Healthineers controls an investee if it has power over the investee. In addition, Siemens Healthineers is exposed to, or has rights to, variable returns from the involvement with the investee and Siemens Healthineers has the ability to use its power over the investee to affect the amount of Siemens Healthineers' return.

Earnings per share

Earnings per share are presented for the first time in the Half-year Consolidated Financial Statements. Basic earnings per share are computed by dividing Net income attributable to the ordinary shareholders of Siemens Healthineers AG by the weighted average number of outstanding shares of Siemens Healthineers AG. Diluted earnings per share are calculated by assuming conversion or exercise of all potentially dilutive share-based payment plans. Earnings per share are also reported for the comparable period, assuming the same average number of shares for both the reporting period and the comparable period.

Income taxes

In accordance with IAS 12, Income Taxes, current and deferred Income taxes are recognized for the purpose of the Half-year Consolidated Financial Statements taking into consideration local tax requirements. In interim periods, tax expense is based on the current estimated annual effective tax rate of Siemens Healthineers. In addition, tax expenses were adjusted by the effects described below which resulted in an effective tax rate of 24% for the six months ended March 31, 2018.

In the first half of fiscal year 2018, tax audits were completed in the U.S. and in Germany which resulted in a positive one-time effect during the interim reporting period.

Until the completion of the legal reorganization of Siemens Healthineers, income taxes have been determined using the separate tax return approach under the assumption that the entities and operations of Siemens Healthineers constitute separate taxable entities. This assumption implies that current and deferred taxes for all companies and operations within Siemens Healthineers are calculated separately. The recoverability of deferred tax assets is also assessed on this basis. Deferred tax assets from tax loss carryforwards were recognized to the extent that it is probable that they can be offset with future taxable income from the respective Siemens Healthineers' entities. Tax receivables and liabilities as well as deferred tax assets on loss carryforwards of Siemens Healthineers' entities and operations that did not constitute a separate tax payer in the reporting periods were treated as contributions or transfers from reserves by shareholders, and are not included in the comparable period.

In December 2017, in the process of the U.S. tax reform the Tax Cuts and Jobs Act was enacted, entailing significant changes to U.S. income taxation. The reduced corporate income tax rate ("Federal Tax Rate") from 35% to 21% and the revaluation of deferred taxes resulted in deferred income tax benefits of €48 million. Adopting the new territorial taxation system and the transition tax on retained foreign earnings led to current tax expenses of €21 million. In the first half of fiscal year 2018, the impacts reduced Siemens Healthineers' effective tax rate by three percentage points. The potential impacts are subject to estimates based on best information and interpretations currently available. Due to the complexity and the magnitude of new regulations Siemens Healthineers has not yet completed the assessment of the tax impacts. Additional tax adjustments may need to be made in subsequent periods as Siemens Healthineers or local tax authorities obtain more accurate information, e.g. through new clarification guidance, which might result in future tax expenses or benefits.

Recently adopted accounting pronouncements

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, Revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which Siemens Healthineers expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted. The Company has adopted the standard for the fiscal year beginning as of October 1, 2017 retrospectively, i.e. the comparable period is presented in accordance with IFRS 15.

The application of IFRS 15 as of October 1, 2017 and the preparation of the comparable period for fiscal year 2017 confirmed that there are no significant impacts on Siemens

Healthineers' Financial Statements. Net assets as of October 1, 2016 increased by €98 million. The increase mainly arises from an earlier recognition of variable consideration components and as transfer of control may occur before the transfer of significant risks and rewards for certain goods.

According to IFRS 15, once either party to an existing contract (i.e. the customer or Siemens Healthineers) has performed, the contract is presented in the financial statements as a Contract asset or a Contract liability, depending on the relationship between Siemens Healthineers' performance and the customer's payment.

Therefore, mainly two effects from IFRS 15 are reflected in the Consolidated Statements of Financial Position of Siemens Healthineers:

- An increase of net assets resulting from the earlier revenue recognition under IFRS 15.
- Reclassifications due to the newly introduced balance sheet line items Contract assets and Contract liabilities, such as the reclassification of advance payments received from the line item Inventories to the line item Contract liabilities or the reclassification of customer advances for service business from the line item Other current liabilities to the line item Contract liabilities.

For further details, please see also *Note 26 – Effects from the adoption of IFRS 15* to the Combined Financial Statements for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015.

NOTE 3 – Scope of consolidation

The Half-year Consolidated Financial Statements as of March 31, 2018, include 122 fully consolidated companies. Additionally, eight associated companies and joint ventures are accounted for using the equity method in accordance with IAS 28, Investments in Associates and Joint Ventures.

Businesses in accordance with IFRS 3, Business Combinations, that were transferred from Siemens Group to Siemens Healthineers during the legal reorganization have already been included in the Combined Financial Statements for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015.

Acquisition of Epocal

On October 31, 2017, Siemens Healthineers successfully completed the acquisition of all shares in Epocal, Inc. and selected assets ("Epocal") from Alere Group, due to their divestment of this business in connection with the review by the Federal Trade Commission and the European Commission of Abbott Laboratories' agreement to acquire Alere. Epocal develops and provides point-of-care blood diagnostic systems for healthcare enterprises and it allows Siemens Healthineers to complete its blood gas portfolio. The acquired business is integrated in the Diagnostics segment.

The contractually agreed purchase price amounted to US$200 million (€172 million as of the acquisition date) and was paid in cash.

The preliminary purchase price allocation as of the acquisition date resulted in Other intangible assets of €71 million, Property, plant and equipment of €13 million, Other assets of €9 million, Deferred tax liabilities of €16 million and Other liabilities of €1 million. Other intangible assets mainly relate to technology of €47 million and customer-related intangible assets of €24 million. Goodwill of €96 million comprises intangible assets that are not separable such as employee know-how and expected synergy effects. Thereof, €35 million are expected to be deductible for tax purposes.

The purchase price allocation is preliminary as the detailed analysis of the assets and liabilities has not yet been finalized.

Acquisition of Fast Track Diagnostics ("FTD")

On December 19, 2017 Siemens Healthineers successfully completed the acquisition of all shares in Luxembourg-based FTD Investments S.à r.l. FTD provides globally a broad range of diagnostic tests, covering major disease groups. The acquired business is integrated in the Diagnostics segment and allows Siemens Healthineers to underscore its commitment to molecular diagnostics.

The estimated purchase price amounted to €80 million as of the acquisition date. The closing payment of €60 million was paid in cash. The preliminary difference of €20 million is subject to post-closing adjustments.

The preliminary purchase price allocation as of the acquisition date resulted in Other intangible assets of €27 million, Cash and cash equivalents of €6 million, Other receivables of €2 million and Deferred tax liabilities of €8 million. Goodwill of €53 million comprises intangible assets that are not separable such as employee know-how and expected synergy effects.

The purchase price allocation is preliminary as the detailed analysis of the assets and liabilities has not yet been finalized.

NOTE 4 – Provisions for pensions and similar obligations

In the second quarter of fiscal year 2018, the Group established a contractual trust arrangement ("CTA") in Germany to finance its obligations related to defined benefit pension plans that had already been transferred from Siemens Group to Siemens Healthineers as part of the legal reorganization. During the interim reporting period Siemens Healthineers received assets by way of a capital contribution, recognized within capital reserves, from Siemens AG which were funded into the CTA and classify as plan assets. As of March 31, 2018 their fair value amounts to €758 million. Siemens Healthineers' net defined benefit balance is reduced accordingly.

For further information about post-employments plans, please see *Note 15 – Provisions for pensions and similar obligations* to the Combined Financial Statements for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015.

NOTE 5 – Equity

Siemens Healthineers AG was established in a notarial foundation deed on December 1, 2017 with a share capital of €50 thousand. On February 2, 2018, in the context of the legal reorganization of Siemens Healthineers, the extraordinary shareholders' meeting resolved to increase Siemens Healthineers AG's share capital from €50 thousand to

€1.0 billion by issuing 999,950,000 new shares against contributions in kind by Siemens Group. Value of contributions in kind exceeding the increase of share capital is accounted for in the Capital reserve and the Retained earnings as of March 31, 2018. In addition, contribution from the transfer of plan assets is comprised in the Capital reserve (please refer to *Note 4 - Provisions for pensions and similar obligations*).

As of March 31, 2018, Siemens Healthineers AG's issued capital is divided into 1,000,000,000 registered shares with no par value and a notional value of €1.00 per share. The shares are fully paid in. At the shareholders' meeting, each share has one vote and accounts for the shareholders' proportionate share in Siemens Healthineers AG's Net income. All shares confer the same rights and obligations.

As of March 31, 2018, Siemens Healthineers AG does not hold any of its own shares, nor does a third party hold any shares of Siemens Healthineers AG on behalf of, or for the account of, Siemens Healthineers AG. The extraordinary shareholders' meeting held on February 19, 2018 authorized the Managing Board to repurchase shares of the Siemens Healthineers AG until February 18, 2023 for every permissible purpose, up to a limit of 10% of its share 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.

As of March 31, 2018, total authorized capital of Siemens Healthineers AG is €500 million, issuable on one or more occasions until February 18, 2023 by issuing up to 500,000,000 new ordinary registered shares with no par value against cash and/or contributions in kind. In addition, as of March 31, 2018, Siemens Healthineers AG's conditional capital is €100 million or 100,000,000 shares. It can be used for serving convertible bonds or warrants under warrant bonds.

The amount of the dividend to be paid for the fiscal year ending September 30, 2018, upon which the general shareholders' meeting will resolve in 2019, shall be calculated based on the Group's Net income generated during the entire period from October 1, 2017 until September 30, 2018, as if no profit transfer pursuant to the domination and profit and loss transfer agreement between Siemens AG and Siemens Healthcare GmbH had occurred. The domination and profit and loss transfer agreement was terminated with effect as of March 31, 2018.

Capital management

The Group's Equity consists of the Issued capital of Siemens Healthineers AG, Reserves, Other components of equity and the Equity attributable to non-controlling interests. In addition, financing is primarily provided by the Siemens Group through multicurrency revolving credit facilities and existing term loans. For further information about the financing with Siemens Group, please refer to *Note 10 – Related party transactions*.

Other changes in equity

During the periods presented in the Half-year Consolidated Financial Statements, the line item Other changes in equity as included in the Consolidated Statements of Changes in Equity mainly contains specifics in connection with the formation as well as the funding of the Group and the results from the application of the separate tax return approach.

NOTE 6 – Earnings per share

Basic earnings per share are computed by dividing Net income attributable to the ordinary shareholders of Siemens Healthineers AG by the weighted average number of outstanding shares of Siemens Healthineers AG. For the interim reporting period ended March 31, 2018, 1,000,000,000 shares are the basis for calculating basic earnings per share. Additional 10,182 shares from dilutive share-based payment plans have to be considered when computing diluted earnings per share, as of March 31, 2018. Profit transfers according to the domination and profit and loss transfer agreement between Siemens Healthcare GmbH and Siemens AG had no effect on the calculation of earnings per share.

NOTE 7 – Financial instruments

The following table discloses the carrying amounts of each category of financial assets and financial liabilities:

(in millions of €)	Category of financial assets and financial liabilities	Measurement/ Fair value hierarchy	Mar 31, 2018 Carrying amount	Sep 30, 2017 Carrying amount
Loans and receivables[1]	LaR	Amortized cost	2,475	2,468
Cash and cash equivalents	n.a.	-	196	184
Derivatives designated in a hedge accounting relationship	n.a.	Level 2	2	4
Derivatives not designated in a hedge accounting relationship	FAHfT	Level 2	9	7
Available-for-sale financial assets[2]	AfS	At cost / Level 1	51	50
Receivables and other receivables from Siemens Group	LaR	Amortized cost	1,687	4,356
Financial assets			**4,420**	**7,068**
Financial liabilities measured at amortized cost[3]	FLaC	Amortized cost	1,280	1,273
Derivatives designated in a hedge accounting relationship	n.a.	Level 2	6	6
Derivatives not designated in a hedge accounting relationship	FLHfT	Level 2	9	6
Payables and other liabilities to Siemens Group	FLaC	Amortized cost	5,154	10,962
Financial liabilities			**6,449**	**12,248**

Categories of financial assets and financial liabilities:
LaR = Loans and receivables, FAHfT = Financial assets held-for-trading, AfS = Available-for-sale;
FLaC = Financial liabilities measured at amortized cost; FLHfT = Financial liabilities held-for-trading

The levels of the fair value hierarchy and its application to the financial assets and financial liabilities are described below:
Level 1: quoted prices in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data.

1) Reported in the following line items: Trade and other receivables, Other current financial assets, Other financial assets - except for separately disclosed derivative financial instruments and available-for-sale financial assets.

2) Thereof equity instruments classified as available-for-sale, for which a fair value could not be reliably measured and which are recognized at cost: €43 million (September 30, 2017: €42 million). In addition, the fair value (Level 1) of the remaining available-for-sales financial assets as of March 31, 2018 and September 30, 2017 amounts to €8 million and €8 million, respectively.

3) Reported in the following line items: Short-term debt and current maturities of long-term debt, Trade payables, Other current financial liabilities, Long-term debt, Other financial liabilities - except for separately disclosed derivative financial instruments.

The carrying amount of Other liabilities to Siemens Group (residual term > one year) which relate to Siemens Healthineers' business in the U.S. is €3,475 million and €5,052 million as of March 31, 2018 and September 30, 2017, respectively, while the fair values amount to €3,207 million and €4,883 million, respectively, which are based on prices provided by price service agencies at the period-end date (Level 2). The decrease is mainly related to the repayment of U.S. dollar denominated loans provided by Siemens Group. For further information, please refer to *Note 10 – Related party transaction*.

The fair values of the remaining long-term loans (residual term > one year) provided by Siemens Group to Siemens Healthineers approximate the carrying amount as the interest rates approximate market rates.

For further information related to the fair values of financial assets and liabilities, please see *Note 19 – Financial instruments and hedging activities* to the Combined Financial Statements for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015.

NOTE 8 – Segment information

(in millions of €)	External revenue First half 2018	External revenue First half 2017	Intersegment revenue First half 2018	Intersegment revenue First half 2017	Total revenue First half 2018	Total revenue First half 2017	Profit[1] First half 2018	Profit[1] First half 2017	Assets Mar 31, 2018	Assets Sep 30, 2017	Free cash flow First half 2018	Free cash flow First half 2017	Additions to intangible assets and property, plant and equipment and Additions to assets leased to others in operating leases First half 2018	Additions to intangible assets and property, plant and equipment and Additions to assets leased to others in operating leases First half 2017	Amortization, depreciation & impairments First half 2018	Amortization, depreciation & impairments First half 2017
Imaging	3,758	3,863	132	117	3,889	3,980	742	755	6,119	6,041	504	732	61	47	64	61
Diagnostics	1,899	2,057	0	0	1,899	2,057	224	275	4,447	3,915	–108	40	211	203	92	115
Advanced Therapies	711	733	9	5	720	738	137	168	877	879	108	130	5	4	4	5
Total segments	**6,368**	6,653	**140**	122	**6,508**	6,775	**1,103**	1,198	**11,442**	10,835	**504**	902	**276**	253	**160**	181
Reconciliation to Consolidated Financial Statements	57	70	–140	–122	–83	–52	–294	–238	7,385	10,278	–322	–333	65	50	88	102
Siemens Healthineers	**6,425**	6,723	**0**	0	**6,425**	6,723	**809**	960	**18,828**	21,113	**183**	569	**341**	303	**248**	283

1) Siemens Healthineers: Income before income taxes

Accounting policies and segment measurement principles are the same as those described in *Note 23 – Segment information* to the Combined Financial Statements for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015.

Siemens Healthineers' Revenue includes revenue from lease contracts in the amount of €70 million and €74 million in the six months ended March 31, 2018 and 2017, respectively.

For each of the segments, Revenue mainly results from performance obligations satisfied at a point in time, especially resulting from the sale of products including consumables and reagents in the Diagnostics segment.

The performance obligations related to maintenance contracts for products sold are generally satisfied over-time with revenue recognized on a straight-line basis.

Reconciliation to Consolidated Financial Statements

Profit

(in millions of €)	First half 2018	2017
Total segments	**1,103**	1,198
Centrally carried pension expense	–30	–28
Amortization of intangible assets acquired in business combinations	–64	–77
Eliminations, Corporate Treasury, Corporate items, other items	–200	–133
Reconciliation to Consolidated Financial Statements	**–294**	–238
Siemens Healthineers – Income before income taxes	**809**	960

In the six months ended March 31, 2018 and 2017, Corporate Treasury includes interest expense of €90 million and €125 million respectively, related to loans with Siemens Group.

Assets

(in millions of €)	Mar 31, 2018	Sep 30, 2017
Total segments	**11,442**	10,835
Assets pensions	22	24
Assets Real Estate	573	578
Asset-based adjustments		
Receivables from Siemens Group	1,687	4,356
Tax-related assets	633	485
Liability-based adjustments		
Payables and other liabilities to Siemens Group	5,154	10,962
Tax-related liabilities	490	487
Eliminations, Corporate Treasury, Corporate items, other items	–1,174	–6,613
Reconciliation to Consolidated Financial Statements	**7,385**	10,278
Siemens Healthineers – Total assets	**18,828**	21,113

Free cash flow

(in millions of €)	First half 2018	2017
Total segments	**504**	902
Central items	–109	–105
Tax-related cash flows	–195	–221
Other items	–18	–7
Siemens Healthineers – Free cash flow	**183**	569
Remaining cash flows from investing activities[1]	–222	–3
Cash flows from financing activities	57	–587
Effect of changes in exchange rates on cash and cash equivalents	–5	2
Changes in cash and cash equivalents	**12**	–19

1) excluding additions to intangible assets and property, plant and equipment

NOTE 9 – Information about geographies

The following table discloses the revenue by location of customers:

(in millions of €)	First half 2018	2017
Europe, C.I.S., Africa, Middle East	2,098	2,067
Americas	2,512	2,804
Asia, Australia	1,815	1,851
Siemens Healthineers	**6,425**	6,723
thereof Germany	*408*	*437*
thereof foreign countries	*6,017*	*6,286*
therein U.S.	*2,104*	*2,372*

NOTE 10 – Related party transactions

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

Transactions with Siemens Group

Sales of goods and services and other income, as well as purchases of goods and services and other expenses from transactions with the Siemens Group in the six months ended March 31, 2018 and 2017 are presented in the following table:

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	First half		First half	
(in millions of €)	2018	2017	2018	2017
Siemens AG	4	5	–206	–177
Other Siemens Group companies	145	114	–133	–142

Sales to and purchases from Siemens Group

Supply and delivery agreements exist between Siemens Healthineers and Siemens Group. Siemens Healthineers is supplied by Siemens Group and delivers to Siemens Group goods and services on a case by case basis.

Other expenses

In the six months ended March 31, 2018, Siemens Healthineers received support for central corporate services, such as tax and legal, IT, corporate communications, human resources, accounting, financial services and treasury from Siemens Group in an amount of €259 million (€239 million in the six months ended March 31, 2017).

Siemens Healthineers entered into a number of standardized transitional service agreements and largely standardized long-term service agreements with companies of the Siemens Group, as service providers, and companies of Siemens Healthineers, as service recipients. With respect to certain services, Siemens AG and Siemens Healthineers have agreed on a minimum service volume commitment based on expected service volume requirements. As of March 31, 2018, the commitment amounts to €451 million.

IPO costs

On December 22, 2017, Siemens AG and Siemens Healthcare GmbH, as the holding company for major parts of Siemens Healthineers at that point in time, entered into an agreement pursuant to which Siemens AG agreed to provide certain services to Siemens Healthcare GmbH in order to support Siemens Healthineers in preparing the IPO. As consideration for the provision of the relevant services, Siemens Healthcare GmbH agreed to pay to Siemens AG a reasonable compensation, covering, in particular, the fees payable to third parties instructed (such as, for example, underwriters, legal counsels or auditors) or costs otherwise arising in the context of the IPO.

In the six months ended March 31, 2018 expenses relating to the IPO in an amount of €94 million were incurred, therein €92 million were charged by Siemens Group to Siemens Healthcare GmbH. The expenses are included in the line item Other operating expenses in the Consolidated Statements of Income.

Receivables from and payables to Siemens Group

Siemens Healthineers' receivables from and payables to Siemens Group are as follows:

	Receivables		Payables	
(in millions of €)	Mar 31, 2018	Sep 30, 2017	Mar 31, 2018	Sep 30, 2017
Siemens AG	1,075	1,028	1,310	74
Other Siemens Group companies	613	3,327	3,844	10,888
Total	1,687	4,356	5,154	10,962
thereof				
from Siemens Credit Warehouse	*1*	*175*	*-*	*-*
from financing activities	*1,650*	*4,163*	*4,113*	*10,040*
from other items	*36*	*18*	*1,041*	*922*

Siemens Credit Warehouse

In the past, Siemens Healthineers participated in the factoring program called "Siemens Credit Warehouse". Siemens Healthineers transferred trade receivables to Siemens Group including all relevant collection risks, but was still responsible for the administration of the trade receivables. Due to the planned termination of the participation in the Siemens Group factoring program, the transfer of trade receivables from Siemens Healthineers to Siemens Group was stopped in December 2017.

Financing

Siemens Healthineers is included in Siemens Group's cash pooling and cash management. Siemens Healthineers invests excess short-term liquidity and is granted overdraft facilities for financing its operating activities.

The financing arrangements of Siemens Healthineers provided by Siemens AG consist of a multicurrency revolving credit facility in an amount of up to €1.1 billion to serve as a working capital and short-term loan facility, and a multicurrency revolving credit facility in an amount of €1.0 billion which provides funding for back-up purposes.

In addition, the Siemens Group provides term loans with various maturities and currencies. As of March 31, 2018, existing term loans are mainly denominated in U.S. dollar with approximately US$1.6 billion maturing until 2023 (September 30, 2017: US$3.3 billion), approximately US$1.7 billion maturing in 2026 (September 30, 2017: US$1.7 billion) and approximately US$1.0 billion maturing in 2046 (September 30, 2017: US$1.0 billion). The decrease relates to the early repayment of several loans during the interim reporting period. In connection with the legal reorganization of the Group those loans were repaid in an amount reflecting their fair value at the repayment date. Due to differences between the fair value and carrying amount of the loans these transactions resulted in a gain of €27 million which is shown in the line item Interest income of the Consolidated Statements of Income.

Other items

On November 26, 2014, Siemens AG and Siemens Healthcare GmbH concluded a domination and profit and loss transfer agreement. The profit attributable to Siemens AG for the six months ended March 31, 2018 amounts to €778 million. The domination and profit and loss transfer agreement between Siemens AG and Siemens Healthcare GmbH was terminated by way of mutual termination agreement with effect as of March 31, 2018.

Other material relationships with Siemens Group

Hedging

Siemens Healthineers' hedging activities are performed mainly via Corporate Treasury of Siemens AG. The consideration is based on market rates. The related receivables and payables are mainly disclosed in the line items Other current financial assets and Other current financial liabilities in the Consolidated Statements of Financial Position.

Collaterals, letters of support and guarantees

In the past, Siemens Group issued guarantees for or on behalf of Siemens Healthineers in connection with the operating business of the Group. As of March 31, 2018, the guarantees issued by Siemens AG amount to €95 million (September 30, 2017: €96 million) while guarantees issued by other Siemens Group companies amount to €334 million (September 30, 2017: €350 million).

In addition, Siemens AG provides letters of support in favor of banks and insurances, e.g. in connection with guarantee credit lines and overdraft facilities of the Group. As of March 31, 2018, the obligations secured by letters of support amount to €316 million (September 30, 2017: €298 million).

Transactions with pension schemes and pension entities

In some countries, mainly in the U.K. and U.S., Siemens Healthineers participates in Siemens Group pension plans and trusts. For further information, please refer to *Note 15 – Provisions for pensions and similar obligations* to the Combined Financial Statements for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015.

Joint Ventures and Associates

In the six months ended March 31, 2018, Siemens Healthineers purchased goods and services from Siemens Healthineers' joint ventures and associates in an amount of €34 million (six months ended March 31, 2017: €34 million).

Related individuals

As of March 31, 2018, Siemens Healthineers is controlled by the ultimate parent, Siemens AG. Therefore, Siemens AG's Managing Board and Supervisory Board are deemed key management. Information related to Siemens AG's Managing Board and Supervisory Board can be found in Siemens AG's publicly available financial statements.

Prior to the formal appointment of the current Managing Board of Siemens Healthineers AG on March 1, 2018 Siemens Healthineers was managed by the members of the Managing Board of Siemens Healthcare GmbH which was defined as the key management of Siemens Healthineers who were responsible for the worldwide operating business of Siemens Healthineers, based on their function within Siemens Healthineers.

A one-time IPO incentive will be granted, beside other employees, to the members of the Managing Board of the Group. The amount of the IPO incentive depends on the success of the offering, on the performance of the Company's share as well as the current and future performance of the Company. The IPO incentive will be granted as forfeitable stock commitments, in two tranches each with a three-year vesting period.

The key management personnel further includes the Supervisory Board of Siemens Healthineers AG and the Supervisory Board of Siemens Healthcare GmbH which had the oversight over the Managing Board of Siemens Healthcare GmbH until its members have been appointed as the Managing Board of Siemens Healthineers AG.

The Supervisory Board of Siemens Healthineers AG consists of nine members. All of the members are appointed by the shareholders' meeting and represent the shareholders. Pursuant to German rules on co-determination (unternehmerische Mitbestimmung), Siemens Healthineers AG is not required to establish a co-determined supervisory board as Siemens Healthineers AG employs less than the relevant number of employees. In accordance with German co-determination rules, employees of other Group companies are not attributed to Siemens Healthineers AG.

Siemens Healthineers AG's fully owned-subsidiary Siemens Healthcare GmbH has a co-determined supervisory board (mitbestimmter Aufsichtsrat) with 16 members (equally split between shareholder representatives and employee representatives).

Additional Information

C.1.Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the Half-year Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, April 27, 2018

Siemens Healthineers AG

The Managing Board

Dr. Bernhard Montag   Dr. Jochen Schmitz   Michael Reitermann

C.2 Review report

To Siemens Healthineers AG, Munich

We have reviewed the half-year consolidated financial statements comprising the consolidated statements of income, comprehensive income, financial position, cash flows and changes in equity, and notes to the half-year consolidated financial statements, and the interim group management report, of Siemens Healthineers AG, Munich for the period from October 1, 2017 to March 31, 2018, which are part of the half-year financial report pursuant to Sec. 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the half-year consolidated financial statements in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the half-year consolidated financial statements and the interim group management report based on our review.

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

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

Munich, April 27, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Tropschug	Esche
Wirtschaftsprüferin	Wirtschaftsprüfer

C.3 Notes and forward-looking statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens Healthineers that may constitute forward-looking statements. These statements may be identified by words such as “expect,” “look forward to,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will,” “project” 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. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens Healthineers may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens Healthineers neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens Healthineers’ net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

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 between the accounting records appearing in this document and those published pursuant to legal requirements.

Internet: siemens-healthineers.com

Press: siemens-healthineers.com/press-room

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