Annual Report 2020

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SIEMENS Healthineers

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Combined management report

A.1 Business principles

A.1.1 Business description

Organization

Siemens Healthineers is a global provider of healthcare solutions and services, with activities in numerous countries around the world. Siemens Healthineers Group (hereinafter referred to as "Siemens Healthineers", the "Company", "we" or the "Group") comprises the parent company Siemens Healthineers AG, a stock corporation under the laws of the Federal Republic of Germany, and its subsidiaries. Siemens Healthineers AG is incorporated in the commercial register in Munich, Germany. The Company's business operations are conducted by the direct and indirect subsidiaries of Siemens Healthineers AG. As of September 30, 2020, the Siemens Group owned around 79% in Siemens Healthineers AG. Siemens Healthineers had about 54,300 employees as of September 30, 2020 (September 30, 2019: about 52,000).

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

Delivering high-quality and affordable healthcare requires scalable solutions to meet the needs of a spectrum of healthcare providers. This spectrum ranges from public and private healthcare providers, including hospitals and hospital systems, public and private clinics and laboratories, universities, physicians/physician groups, public health agencies, state-run and private health insurers, to pharmaceutical companies and clinical research institutes. We offer different solutions tailored to the customers' needs for all market segments.

Our business operations are divided into three segments: Imaging, Diagnostics and Advanced Therapies. In all these segments, we are a leading global provider.

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

The portfolio of our Diagnostics segment comprises in-vitro diagnostic products and services that we offer to healthcare providers in laboratory, molecular and point-of-care diagnostics. Spanning a breadth of test settings, from centralized reference and hospital laboratories to clinical and physician office laboratories, our comprehensive portfolio covers a range of testing disciplines, including immunochemistry, hematology, coagulation, urinalysis, blood gas and PCR testing (molecular). In addition, we provide workflow solutions and informatics products that integrate our offerings and improve provider efficiency and productivity. The bulk of Diagnostic's business model is based on long-term contracts that include an initial instrument placement followed by ongoing reagent sales, which results in a predictive and resilient revenue stream.

Our Advanced Therapies segment's portfolio consists of highly integrated products, solutions and services across multiple clinical fields. We provide these to therapy departments of healthcare providers. Our Advanced Therapies products facilitate image guided minimally invasive treatments, in areas such as cardiology, interventional radiology, surgery and radiation oncology. Our most important products in this segment are angiography systems and mobile C-arms. Following completion of the Corindus Vascular Robotics, Inc. (hereinafter "Corindus") acquisition in early FY20, its business around the robotic-assisted platform for endo-vascular coronary and peripheral vascular interventions is now part of the Advanced Therapies segment. Our integrated business model provides a solid foundation for our business activities in this field, with recurring revenues on a regular basis generated through our growing installed base and our customer service offerings.

Within these three segments we provide comprehensive services all along the customer value chain, among them design, maintenance, operational management, training and education services. Our service offerings include equipment performance management, clinical education and e-learning, asset management, managed departmental services, consulting and Digital Health products and services. By finalizing the acquisition of a majority stake of ECG Management Consultants (hereinafter "ECG") in early FY20, the Company enhanced its portfolio in this field.

The planned acquisition of Varian Medical Systems, Inc. (hereinafter "Varian"), announced in the fourth quarter of fiscal year 2020, will add an additional business segment within the Company. It provides innovative solutions in cancer care, in particular within radiation oncology and related software.

Siemens Healthineers Strategy 2025

Against the background of the healthcare trends described in →*A.1.2 Business environment,* Siemens Healthineers has defined strategic priorities to capture short-term potential and ensure market leadership beyond 2025. The first, so-called "Reinforcing Phase" of the Siemens Healthineers Strategy 2025 was completed by the end of fiscal year 2019. The focus in this phase was on market introductions of new products and platforms and a cost savings program including productivity improvement measures.

Fiscal year 2020 marked the beginning of the second phase of the Siemens Healthineers Strategy 2025, for which the Company has defined clear priorities for its segments. The so-called Upgrading phase will run until the end of fiscal year 2022. During the Upgrading phase Siemens Healthineers aims at comparable revenue growth of more than 5% p.a. (per annum) and growth of adjusted basic earnings per share of around 10% p.a.

In the Imaging segment, the focus is on continuously innovating the core business, the expansion of diagnostic offerings and taking a leading role in clinical decision-making based on artificial intelligence (hereinafter "AI"). In the Diagnostics segment, the main task is to exploit the opportunities offered by the market trend towards automated workflows in laboratory diagnostics and to bring the segment up to market-growth level in the midterm. On top of this, it is planned to continue to expand the point-of-care business. The Advanced Therapies segment is set to further develop innovative technologies and services that advance and improve image-guided clinical procedures. The increasing number of procedures forms the basis for profitable growth in adjacent markets.

At the same time, Siemens Healthineers has defined three cross-segment priorities for the Upgrading phase: Market share gains in geographic growth markets, market share gains with leading healthcare providers and driving forward the Company's digital transformation.

Growing in existing markets, entering adjacent fields and creating new markets are additional core elements of the Upgrading strategy. The acquisitions completed in FY20 (ECG and Corindus) as well as the announced acquisition of Varian show the progress of the Upgrading strategy in this regard.

Research and development

Our research and development (hereinafter "R&D") activities are ultimately geared towards delivering innovative and sustainable solutions to our customers while safeguarding and improving our competitiveness. Consequently, we focus our R&D activities on selected technologies and innovations. We have further expanded our R&D activities particularly in the field of digitalization and AI. This development is reflected in additions to our product and solutions portfolio in this area: We now have more than 65 AI-supported products and applications on the market that further boost our customers' productivity, while enabling clinical decisions to be more precise and tailored to the individual patient. The major additions to the AI-based product portfolio are driven by extensions of our AI-Rad Companion and new AI Pathway Companion and syngo.via products and solutions. For fiscal year 2021, we plan AI-Rad Companion extensions for brain, prostate-MR and thorax X-ray data as well as organ contouring for radiotherapy planning. In addition, the AI-Pathway Companion Prostate Cancer, a digital companion for clinical decision support, has received CE label in Europe for use in the clinical pathway for prostate cancer, the second most common cancer (after lung cancer) in men worldwide.

We are continuously expanding our portfolio of digital services to support customers in their transition to value-based care. The teamplay digital health platform brings together data, applications and services to make better decisions for patients in an efficient way. In addition, we have launched a number of new products. For example, we introduced the high-end single-source CT system SOMATOM X.cite with myExam Companion – a wizard for easy operation – and the mobile head CT scanner SOMATOM On.site. We also launched the YSIO X.pree radiography system, also with myExam Companion, to support users with different levels of experience. In Magnetic Resonance Imaging (hereinafter "MRI"), we are planning new innovations which improve global access significantly, among others greatly simplified infrastructure requirements, highly automated handling with myExam Companion, as well as the worldwide first 80 cm bore. In addition, Syngo Virtual Cockpit, our software solution for remote operation of equipment, enables our customers to optimize the utilization of their scanner fleet and achieve a higher quality standard.

In the area of robotics, we increased our efforts for the CorPath GRX System of Corindus, which is the only robotic system on the market for percutaneous coronary and vascular procedures. The system is designed to improve precision of interventions, standardize treatment and enable a safe procedure for patients as well as medical staff. This solution presents another milestone for realizing our Strategy 2025.

In 2021, CorPath GRX is planned to be expanded for neurovascular procedures, particularly with regard to access to care through remote-controlled robotic capabilities (or telerobotics).

Innovative AI-based technology is starting fiscal year 2021 used also in sample handling and classification in our Atellica Solution laboratory system, enabling data-based efficient management of laboratory workflow. One AI-based option for the Atellica Solution enables the evaluation of up to 7,500 features of a sample or a sample carrier. Another AI-solution ensures robustness of the sample characterization and was trained and evaluated on more than 60,000 data points. The new Atellica Hematology-Suite reflects the next generation high-volume system of hematology analysis devices. In addition, the Atellica DCA Analyzer (CE) diabetes test was advanced.

Within Point of Care (hereinafter "POC") solutions we were able to launch the CLINITEST Rapid COVID-19 Antigen test at the beginning of fiscal year 2021 timely. This is a test cassette to detect SARS-CoV-2 and to enable test results within 15 minutes without laboratory equipment or specialized medical staff. In the area of molecular diagnostics we will bring the FTD CoV-2/Flu/HRSV Test to the market in fiscal year 2021. This test can detect SARS-CoV-2 and HRSV A&B and differentiate between Influenza A/B.

In addition to continually updating our portfolio, the focus of our R&D activities is also on permanent improvement of existing products and solutions. Our R&D workforce, counting already around 10,000 employees, operates at a number of R&D sites around the world, mainly in Germany, the U.S., China and India. The distribution of our R&D workforce across an internationally balanced network of sites enables us to better meet the needs of local markets and gives us access to local job markets, allowing us to hire the best employee for the respective job. We supplement our internal capabilities through our relationships with strategic partners.

In fiscal year 2020, we reported R&D expenses of €1,342 million (2019: €1,328 million). The resulting R&D intensity, defined as the ratio of R&D expenses to revenue, was 9% (2019: 9%). Additions to capitalized development expenses amounted to €245 million (2019: €155 million). Therefore, the ratio of capitalized development expenses to total R&D expenses was 18% (2019: 12%). Amortization of capitalized development expenses totaled €99 million (2019: €111 million).

As of September 30, 2020, we had more than 18,500 patents, patent applications, and utility models. This figure includes more than 13,500 granted patents and registered utility models, on the level of fiscal year 2019.

A.1.2 Business environment

We act in a long-term stable growth market, which is supported by below described Healthcare trends. Moreover, large portions of the revenue of Siemens Healthineers stem from recurring business, providing a stable foundation for profits. Fluctuations of the healthcare market are also impacted by overall economic changes and political developments, including changes in health policy and reimbursement, as well as regulatory topics.

Healthcare market trends and health policy developments

Healthcare markets worldwide are affected by four major, sustainable trends, which are hardly impacted by the COVID-19 pandemic.

The first trend are demographic developments, especially the world's growing and aging population. This trend poses major challenges for global healthcare systems. At the same time, however, it offers opportunities for players in the healthcare industry, because demand for cost-efficient healthcare solutions continues to intensify. The second trend is economic development in emerging countries that opens up improved access to healthcare for many people. As the middle class continues to grow, significant investments in the expansion of private and public healthcare systems will persist, driving overall demand for healthcare products and services and hence market growth. The third trend is the increase in chronic diseases as a consequence of an aging population and environmental and lifestyle-related changes. This development creates additional pressure on health systems and leads to increased costs to address this challenge. The fourth global trend with significant effect on our business development, the transformation of healthcare providers, results from a combination of societal and market forces that are driving healthcare providers to operate and organize their businesses differently. Increasing cost pressure on the healthcare sector is prompting the introduction of new remuneration models for healthcare services, such as value-based rather than treatment-based reimbursement. Digitalization and AI are likely to be key enablers for healthcare providers as they increasingly focus on enhancing the overall patient experience, with better outcomes and an overall reduction in cost of care. This development is driven partly by society's increasing resistance to healthcare costs, payers' increasing professionalization, burdens from chronic disease and rapid scientific progress. As a result, healthcare providers are consolidating into networked structures, resulting in larger clinic and laboratory chains, often operating internationally, which act increasingly like large corporations. Applying this industrial logic to the healthcare market can lead to systematic improvements in quality, while at the same time reducing costs.

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

COVID-19 also has impacted regulatory environment and practices, as governments and healthcare providers face unprecedented challenges. Regulatory authorities utilized methods to speed diagnostic products to market. Governments have also provided reimbursement for testing. This includes changes in existing reimbursement structures as well as accelerated regulatory and emergency approval pathways. This has positively influenced the availability of diagnostic tests and access to reimbursement for, among others, digital health solutions such as telehealth in various countries including China, the U.S. and Germany. The importance and value of such technologies have been highlighted and increased during the pandemic. However, these changes in health policy and reimbursement may be only temporary and potentially could be reversed or modified in the mid-term.

In the U.S., the focus on the pandemic has created a temporary reduction in efforts to modify the healthcare system around value based care. The introduction of such models has been temporarily suspended. Over the medium term, the impact of COVID-19 on government and private sector finances is likely to increase pressure on utilization and reimbursement.

With the presidential elections in the U.S. in November 2020 and the finalization of China's next five-year plan in spring 2021, two of our major markets face additional uncertainties in the area of health policy and budgeting topics in the coming years. The programs of the two presidential candidates in the U.S. vary widely on economic and healthcare policy and could substantively impact tax policy, the number of uninsured citizens, and penetration of value-based care initiatives. As the COVID-19 pandemic has plunged the world economy into recession, China remains committed to expanding the opening of their markets to bolster growth and to promoting globalization and inclusive development. China's next five-year plan for 2021–2025 is essential for the "Made in China 2025" strategic national initiative. The goal of next five-year plan is to take a decisive lead in key industries including healthcare. The government's continuous support of the domestic Chinese medical industry and implementation of "local preferred" procurement policies result in a higher level of competition for multinational companies with local vendors. The priorities of the "Healthy China 2030" strategy is primary care and the establishment of a tiered healthcare system. It is expected that demand for equipment and upgrading will increase, as well as the request for solutions in the area of healthcare digitalization. Moreover, reimbursement reforms such as diagnosis-based case groups – so called Diagnostic-Related Groups – will be introduced to more regions.

Political developments

The business environment is subject not only to the influence of regulatory schemes, which healthcare companies and providers must comply with in order to sell their products and deliver health services. Non-tariff barriers such as forced localization, licensing requirements and, in particular, protectionism have been topics of increased importance in recent years. Barriers to trade are becoming more common, affecting all our segments' markets and creating additional financial burdens on vendors. The ongoing trade dispute between the United States and China resulted in cost increases as new tariffs came into effect in both countries, impacting the flow of products between these countries. While the 2020 election cycle in the U.S. and China's next five year-plan could also have an impact on this situation, trade challenges will independently remain a topic.

In Europe, negotiations over the United Kingdom leaving the European Union (EU) were complicated. This had however only limited impact on investment sentiment and limited to no effect on the development of the EMEA market. The departure of the United Kingdom from the EU's internal market could lead to disruptions of free trade in goods and services, implying potential impacts on customs duties, transportation and associated administrative burdens, and ultimately on pricing.

Segments' markets

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

The Diagnostics market is a market with an attractive underlying growth driven by an increasing demand for diagnostics tests, through both the development of new tests as well as increased access to existing tests, particularly in emerging markets. To offset increasing test demand and rising healthcare costs, providers are continuing to consolidate their operations to realize laboratory cost improvements and industrialize their testing processes to improve efficiency through automation and digitalization. Increased digitalization will further enhance laboratory productivity and enable better integration of diagnostics test results into clinical decision making. Immunochemistry continues to be the largest and one of the fastest growing segments of the Diagnostics market. The Diagnostics market is fragmented with a variety of global players that compete internationally across market segments, but that also face competition from several regional players and specialized companies in niche technologies.

Developments in clinical procedures are one of the major factors which keep defining growth in the Advanced Therapies market. Minimally invasive procedures as well as the growing complexity of procedures that require complex technological devices are key drivers of the market. In particular, due to technological innovations in imaging, robotics, medical devices and IT, minimally invasive procedures result in, among other things, lower risks of complications, faster recovery time, less post-operative pain, shorter hospital stays and lower costs. The global Advanced Therapies market can be described as consolidated with three top players (Siemens Healthineers, GE Healthcare and Philips).

A.2 Financial performance system

Key performance indicators

Comparable revenue growth

Comparable revenue growth is our key performance indicator (hereinafter "KPI") for managing and monitoring the revenue growth (through fiscal year 2020) or adjusted revenue growth (as of fiscal year 2021), respectively, of our segments and of Siemens Healthineers. It shows the development of the revenue or adjusted revenue, respectively, net of currency translation effects, which are beyond our control, and portfolio effects, which involve business activities that are either new to our business or no longer a part of it.

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

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

There were no effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations in fiscal year 2020.

Adjusted EBIT margin

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

Until the end of fiscal year 2020, the adjustments comprised the following items:

- amortization of intangible assets acquired in business combinations,
- severance charges,
- acquisition-related transaction costs and
- centrally carried pension service and administration expenses.

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

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

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

From fiscal year 2021 onwards the adjustment items include expenses and income related to portfolio adjustments on a larger scale to continuously ensure transparency, comparability, and reconcilability of adjusted EBIT margin.

Adjusted EBIT margin is defined as the adjusted EBIT of the particular segment divided by its total revenue (until the end of fiscal year 2020) or adjusted total revenue (as of fiscal year 2021), respectively. The adjusted EBIT margin is calculated by applying the total adjusted revenue definitions described above.

Reconciliation of adjustments of adjusted EBIT margin (for fiscal year 2020)

	Adjusted EBIT margin (as defined until FY 2020)	Integration cost	Retention cost	Adjusted EBIT margin (as defined starting FY 2021)
Reconciliation adjustments of adjusted EBIT margin for fiscal year 2020				
Imaging	21.0 %	0.0 %-points	0.1 %-points	21.1 %
Diagnostics	1.8 %	0.0 %-points	0.0 %-points	1.9 %
Advanced Therapies	18.3 %	0.2 %-points	0.4 %-points	18.9 %

Adjusted basic earnings per share growth (until the end of fiscal year 2020)

Company level performance was measured by using growth in adjusted basic earnings per share (EPS). Adjusted basic EPS was defined as basic EPS adjusted for the items shown below, net of tax:

- amortization of intangible assets acquired in business combinations,
- severance charges and
- acquisition-related transaction costs.

Adjusted basic earnings per share (as of fiscal year 2021)

As of fiscal year 2021, we will no longer use adjusted basic EPS growth to measure company level performance. Instead, we will introduce adjusted basic EPS as the new KPI.

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

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

Therefore, also in this KPI, we extend the adjustment items for expenses and income related to portfolio related measures to continuously ensure transparency, comparability, and reconcilability of the adjusted basic EPS. The analog adjustment of basic EPS and EBIT ensures the consistency between the KPIs adjusted EBIT margin and adjusted basic EPS. The adjustments are made after tax.

Tax effects on the adjustments are determined based on the income tax rate of the respective reporting period, like in fiscal year 2020. Similarly, adjusted basic EPS is determined based on the average weighted number of outstanding shares of the respective reporting period.

Reconciliation of adjustments of adjusted basic EPS (for fiscal year 2020)

Siemens Healthineers	Adjusted basic EPS (as defined until FY 2020)	Integration cost	Retention cost	Adjusted basic EPS (as defined starting FY 2021)
Reconciliation adjustments of adjusted basic EPS for fiscal year 2020				
Fiscal year 2020	€1.59	€0.00	€0.01	€1.61

Dividend

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

A.3 Business development

A.3.1 Market development

The addressable global Imaging equipment market in fiscal year 2020 amounted to around €19 billion. The addressable equipment market for the Advanced Therapies segment (based on angiography systems and mobile C-arms, excluding radiation oncology) was estimated at €3 billion. Within the equipment business of the segments Imaging and Advanced Therapies and based on order intake, Siemens Healthineers grew more strongly than the addressable market. Including molecular diagnostics, the global market for Diagnostics was approximately €34 billion.

Supported by the growth of our installed base in the previous year, the product-related service business saw healthy growth in this fiscal year.

After the first confirmed appearance of SARS-CoV-2 at the end of 2019, the virus spread rapidly, resulting in the COVID-19 pandemic in the second quarter of fiscal year 2020. This development significantly impacted economies worldwide, including our addressed markets. Compared to our assumptions in the 2019 annual report and the average growth levels from previous years, market developments in fiscal year 2020 were therefore different. Competition among the leading healthcare companies remained at high levels.

COVID-19 reinforced some of the long-term market trends and has for example raised the already increasing cost pressure for health systems and customers to unprecedented levels and reinforced consolidation among healthcare providers. Especially in countries with severe COVID-19 outbreaks such as the U.S. and Brazil, a significant effect on healthcare economics was visible in additional increase of costs combined with simultaneous, temporarily substantial revenue losses for hospitals. Investments in capital goods and other medical imaging equipment were postponed to a later date or cancelled. The initially expected pent-up market demand and corresponding resolution did not materialize in fiscal year 2020, even though individual countries were on the way to recovery after the first wave of the pandemic. In general, markets for medical devices used to fight COVID-19 saw a slight positive effect on fiscal year 2020 growth.

For our addressed Imaging markets, we saw a slight decrease. Substantial market declines in major modalities, such as magnetic resonance systems, were balanced out by moderately to significantly increased interest in equipment and solutions used to diagnose and monitor COVID-19, including computed tomography systems and (mobile) x-ray systems. The ultrasound market declined moderately in fiscal year 2020, as increased demand for portable ultrasound point-of-care systems used to diagnose and monitor COVID-19, for example, could not outweigh shifts of projects and strong declines in other ultrasound market segments. Given that hospitals had to free up capacity and resources for potential COVID-19 emergencies, the number of routine and elective procedures severely decreased. The markets for Advanced Therapies were therefore negatively affected, resulting in very strong market declines in fiscal year 2020.

Within Diagnostics, markets increased for point-of-care tests to monitor patients and lab tests to detect SARS-CoV-2 and identify antibodies, while at the same time the demand for certain diagnostic reagents, particularly tests for routine care, was reduced as patient volume decreased. The extraordinary growth of the molecular diagnostics market counterbalanced severe declines of laboratory diagnostics, which led to a modest growth for the Diagnostics market overall.

China, one of our biggest markets and major incremental growth driver, was the first country with a severe SARS-CoV-2 outbreak, leading to a complete shutdown of the country for more than two months. After ending its lockdown phase, the country returned to regular business activity in a relatively short time. The growing private market segment was more burdened by the COVID crisis, leading to a slower recovery and potential consolidation. While postponed or cancelled elective procedures led to strong declines in the Advanced Therapies market, public investments in selected provinces with high numbers of COVID-19 cases resulted in substantial market growth in the Imaging Segment, especially for modalities used to fight COVID-19. Local vendors in particular benefitted from this additional market demand. Although diagnostic tests were widely applied to identify SARS-CoV-2, including large scale testing of whole populations of certain regions, this additional demand could not counterbalance the downturn of testing for routine care, resulting in a significant market decrease of the overall Diagnostics market.

In Japan, the second largest market of the Asia, Australia region, a sales tax increase in early fiscal year 2020 brought investment forward to fiscal year 2019. With COVID-19 impacts as an additional factor, this led to significant market declines for Imaging and Advanced Therapies and a slightly decreasing market for Diagnostics.

In the region EMEA, public investment programs as well as strong purchases related to COVID-19 in several EMEA countries counterbalanced negative effects resulting from lockdowns. Overall, this led to strong to substantial market growth for Imaging and Advanced Therapies in fiscal year 2020. Significant market growth for Diagnostics in EMEA was driven by test strategy programs for SARS-CoV-2, which were put in place by several EMEA governments and outweighed the severe decline in testing for routine care.

In the U.S., project postponements or cessation and limited access to healthcare providers due to the COVID-19 pandemic and related lockdowns resulted in substantial market declines across all Imaging and Advanced Therapies markets. The continued rise in COVID-19 cases increased U.S. diagnostics market growth on strong levels, as demand for molecular and point-of-care COVID-19 tests further increased.

Market estimates are based on Healthineers' market model that builds on external sources (amongst others from IQVIA Ltd., OMDIA and Signify Research), market information from MedTech industry associations (amongst others COCIR, NEMA, JIRA and MedTech Europe) and Siemens Healthineers' management estimates. All statements on market developments refer to the first three quarters of fiscal year 2020, because market data for the full fiscal year were not available as of the publication of the annual report. Given the unpredictability of further COVID-19 pandemic developments and related impacts on Healthcare markets, the usual and historic development patterns of Healthineers' markets cannot be applied in this year.

A.3.2 Results of operations

A.3.2.1 Revenue by segment and region

	Fiscal Year		%-Change	
(in millions of €)	2020	2019	Act.	Comp.[1]
Siemens Healthineers	**14,460**	14,518	**0%**	**0%**
Therein:				
Imaging	9,090	8,938	2%	2%
Diagnostics	3,924	4,133	−5%	−4%
Advanced Therapies	1,628	1,606	1%	1%

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

Revenue by region (location of customer)

	Fiscal Year		%-Change	
(in millions of €)	2020	2019	Act.	Comp.[1]
Europe, Commonwealth of Independent States, Africa, Middle East (EMEA)	4,747	4,617	3%	4%
Therein: Germany	874	873	0%	0%
Americas	5,691	5,803	−2%	−3%
Therein: United States	4,909	4,916	0%	−3%
Asia, Australia	4,022	4,098	−2%	−1%
Therein: China	1,893	1,838	3%	4%
Siemens Healthineers	**14,460**	14,518	**0%**	**0%**

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

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Revenue of €14,460 million was at approximately the prior year level. Also on a comparable basis, meaning excluding currency translation and portfolio effects, revenue was at the same level as fiscal year 2019 despite the COVID-19 pandemic. Slight growth on a comparable basis in the Imaging and Advanced Therapies segments was offset by a moderate decline in Diagnostics.

Currency translation effects had a negative effect of about one percentage point on nominal revenue growth. This development was offset by positive portfolio effects in approximately the same amount.

Segments

Imaging saw nominal and comparable growth in total revenue of 2% to €9,090 million. Computed Tomography in particular reported very strong growth because computed tomography scans became increasingly important for treating COVID-19 positive patients. From a geographic perspective, comparable revenue increased very strongly in EMEA and slightly in Asia, Australia. Americas on the other hand showed a slight decline in comparable revenue mainly due to the COVID-19 pandemic.

Total revenue in Diagnostics showed a nominal decline of 5% to €3,924 million. On a comparable basis, total revenue declined by 4%. The decline is mainly because of lower testing volumes for routine care during the COVID-19 pandemic. All regions showed a moderate to strong comparable revenue decline.

Total revenue of Advanced Therapies increased by 1% to €1,628 million on a nominal and comparable basis supported by a strong increase in EMEA while Americas showed a slight decline.

Regions

The comparable revenue growth of 4% in EMEA was mainly driven by very strong growth in Imaging and strong growth in Advanced Therapies. The Diagnostics segment showed a moderate decline. Germany was on the prior-year level.

In the Americas comparable revenue decreased by 3% with a slight decline in the Imaging and Advanced Therapies segments. Diagnostics showed a moderate comparable revenue decline. The United States reported a comparable revenue decline of 3%.

In Asia, Australia comparable revenue declined by 1%. The Diagnostics segment showed a strong decline which was partially offset by a slight revenue growth in Imaging. Advanced Therapies was almost on the prior year level. China reported a comparable revenue growth of 4%.

A.3.2.2 Adjusted EBIT

	Fiscal Year	
(Adjusted EBIT in millions of €, margin in %)	2020	2019
Adjusted EBIT	**2,230**	**2,488**
Therein:		
Imaging	1,909	1,831
Diagnostics	72	375
Advanced Therapies	298	317
Adjusted EBIT margin	**15.4%**	**17.1%**
Therein:		
Imaging	21.0%	20.5%
Diagnostics	1.8%	9.1%
Advanced Therapies	18.3%	19.7%

Siemens Healthineers

Adjusted EBIT declined by 10%, resulting in an adjusted EBIT margin of 15.4% for fiscal year 2020. The decline year-over-year was mainly due to the weak development of the adjusted EBIT margin in Diagnostics.

The adjusted EBIT margin was adversely affected by the COVID-19 pandemic, counterbalanced by lower expenses for performance-related remuneration components and income of €34 million in the United States related to the CARES Act. Prior year results included positive effects of €24 million due to a settlement gain.

Research and development expenses increased by €14 million, or 1%. Also adjusted for currency translation these expenses increased slightly compared to prior-year-level.

Selling and general administrative expenses grew by €64 million, or 3%. Excluding currency translation effects the expenses also increased moderately, due mainly to the acquisitions of Corindus and ECG.

Segments

The adjusted EBIT margin of Imaging was 21.0%, above the prior year level, mainly due to a more favorable business mix, stringent cost management and positive currency effects which more than offset negative impacts on the regional mix of revenue due to the COVID-19 pandemic. Adjusted EBIT grew by 4% to €1,909 million.

The adjusted EBIT margin of Diagnostics was 1.8%, below the prior year, mainly because of lower testing volumes for routine care and higher costs due to the COVID-19 pandemic as well as future-oriented expenses for Atellica Solution and negative currency effects. Adjusted EBIT declined to €72 million.

The adjusted EBIT margin of Advanced Therapies was 18.3%, below prior year, despite positive currency effects. Excluding the effect of the Corindus acquisition, the adjusted EBIT margin came in above the prior year level. Adjusted EBIT declined by 6% to €298 million.

Reconciliation to consolidated financial statements

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

	Fiscal Year	
(in millions of €)	2020	2019
Adjusted EBIT	**2,230**	**2,488**
Amortization of intangible assets acquired in business combinations	−168	−131
Acquisition-related transaction costs	−16	–
Severance charges	−65	−57
EBIT	**1,982**	**2,300**
Financial income, net	−27	−107
Income tax expenses	−532	−607
Net income	**1,423**	**1,586**

Amortization of intangible assets acquired in business combinations increased by €37 million to €168 million due to the acquisitions of Corindus and ECG in the first quarter of the fiscal year. Additionally, acquisition-related transaction costs of €16 million were incurred, mainly due to the takeover of Corindus.

Financial income, net, improved by €79 million. The increase resulted mainly from lower interest expenses following a restructuring of debt in fiscal year 2019, and interest income related to international tax procedures. The figure in fiscal year 2019 included negative currency effects associated with financing of business in Turkey.

Income tax expenses decreased by €75 million to €532 million. The effective income tax rate stayed broadly flat at 27.2% in fiscal year 2020 compared to 27.7% in prior year. For further information, please refer to → ***Note 5 Income taxes*** in the notes to the consolidated financial statements.

As a result of the factors described above, net income decreased to € 1,423 million. Consequently, adjusted basic earnings per share declined by 7 % to € 1.59.

	Fiscal Year	
(in €)	2020	2019
Adjusted basic earnings per share	**1.59**	1.70
Amortization of intangible assets acquired in business combinations	− 0.12	− 0.09
Acquisition-related transaction costs	− 0.02	–
Severance charges	− 0.05	− 0.04
Basic earnings per share	**1.41**	1.57

A.3.3 Net assets and financial position

A.3.3.1 Net assets and capital structure

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

	Sept 30,	
(in millions of €)	2020	2019
Operating net working capital	2,550	2,538
Remaining current assets	645	491
Total non-current assets	14,827	13,650
Net debt (including pensions)	− 2,605	− 3,974
Remaining current liabilities	−1,936	− 2,018
Remaining non-current liabilities	− 969	− 906
Total equity	**12,511**	9,782

Operating net working capital

	Sept 30,	
(in millions of €)	2020	2019
Trade and other receivables	2,568	2,779
Contract assets	818	839
Inventories	2,304	2,064
Trade payables	−1,356	−1,403
Contract liabilities	−1,784	−1,741
Operating net working capital	**2,550**	2,538

Operating net working capital remained at nearly the same level, with a slight increase of € 12 million to € 2,550 million.

Within operating net working capital, inventories increased by € 240 million, despite negative currency translation effects. This increase was attributable to steps taken to ensure the delivery capability of all segments, mainly resulting from recent economic developments due to the COVID-19 pandemic. This development was offset by a decrease in trade and other receivables of € 211 million, mainly due to currency translation effects and improved receivables management.

Remaining current assets

	Sept 30,	
(in millions of €)	2020	2019
Other current financial assets	142	78
Current income tax assets	49	92
Other current assets	338	321
Remaining receivables from Siemens Group	116	–
Remaining current assets	**645**	491

The growth in remaining current assets by € 154 million to € 645 million was due primarily to an increase of € 116 million in remaining receivables from Siemens Group. This related to receivables in the context of pre-initial public offering group taxation with the Siemens Group in the United States. The amounts resulted from expanded options for tax loss carry-backs due to the CARES Act aimed at mitigating the financial impact of the COVID-19 pandemic.

The increase of € 65 million in other current financial assets was mainly due to changes in the value of derivatives to hedge foreign currency risks in connection with operations and the planned acquisition of Varian. For further information regarding derivatives, please refer to → ***Note 25 Financial instruments and hedging activities*** in the notes to the consolidated financial statements.

Total non-current assets

	Sept 30,	
(in millions of €)	2020	2019
Goodwill	9,038	8,590
Other intangible assets	1,912	1,576
Property, plant and equipment	2,774	2,318
Investments accounted for using the equity method	37	45
Other financial assets	352	339
Deferred tax assets	419	462
Other assets	295	320
Total non-current assets	**14,827**	13,650

The increase in non-current assets by € 1,176 million to € 14,827 million resulted largely from a rise of € 447 million in goodwill and € 337 million in other intangible assets. These developments were caused most notably by the acquisitions of Corindus and ECG. Negative currency translation effects of € 599 million had an offsetting impact. For additional information regarding the acquisitions, please refer to → ***Note 3 Acquisitions*** in the notes to the consolidated financial statements.

In addition, property, plant and equipment was up by €456 million, despite negative currency translation effects, mainly because of the first-time adoption of IFRS 16. For additional information regarding the first-time adoption of IFRS 16, please refer to → ***Note 2 Accounting policies*** in the notes to the consolidated financial statements.

Net debt (including pensions)

In fiscal year 2020, Siemens Healthineers included net debt in the description of its net assets and capital structure, as Siemens Healthineers' capital management is based on this key figure.

	Sept 30,	
(in millions of €)	2020	2019
Cash and cash equivalents	−656	−920
Receivables from Siemens Group from financing activities	−3,271	−683
Payables to Siemens Group from financing activities	2,040	359
Other liabilities to Siemens Group from financing activities	2,982	4,030
Short-term financial debt and current maturities of long-term financial debt	167	80
Long-term financial debt	314	62
Net debt	**1,576**	**2,929**
Provisions for pensions and similar obligations	1,029	1,045
Net debt (including pensions)	**2,605**	**3,974**

Net debt

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

The decrease of €264 million in cash and cash equivalents resulted mainly from the investment of cash from Siemens Healthineers entities in China with the Siemens Group.

Net receivables from and payables to Siemens Group from financing activities increased by €907 million, mainly due to the short-term investment of funds from the capital increase of €2.7 billion, which was completed in September 2020 to finance the planned acquisition of Varian. In addition, the above-mentioned investment of cash from Siemens Healthineers entities in China with the Siemens Group increased this item. Counterbalancing effects resulted from the following factors:

- In fiscal year 2020, Siemens Healthineers took out a variable interest-loan from the Siemens Group amounting to €1.0 billion, in connection with the acquisition of Corindus.
- A loan to the Siemens Group maturing in fiscal year 2021, amounting to US$ 0.9 billion, was reclassified to the short-term balance sheet item. Other liabilities to Siemens Group from financing activities were reduced by the corresponding amount.
- Payments for the acquisition of ECG were financed by short-term debt to the Siemens Group. For further information to the payments for the acquisition of ECG, please refer to → ***Note 3 Acquisitions*** in the notes to the consolidated financial statements.

Short-term financial debt and current maturities of long-term financial debt increased by €87 million and long-term financial debt rose by €252 million, mainly as a consequence of the first-time adoption of IFRS 16, Leases. For additional information regarding the first-time adoption of IFRS 16, please refer to → ***Note 2 Accounting policies*** in the notes to the consolidated financial statements.

Pensions

Provisions for pensions and similar obligations remained nearly level with a slight decrease of €16 million. For additional information, please refer to → ***Note 21 Provisions for pensions and similar obligations*** in the notes to the consolidated financial statements.

Financing management

Loans with various maturities denominated in various currencies have been granted by the Siemens Group, in particular:

- €1.0 billion loan maturing in fiscal year 2021,
- US$ 0.9 billion loan maturing in fiscal year 2021,
- US$ 0.7 billion loan maturing in fiscal year 2023,
- US$ 1.7 billion loan maturing in fiscal year 2027, and
- US$ 1.0 billion loan maturing in fiscal year 2046.

In fiscal year 2019, the US$ loans maturing in fiscal years 2021, 2023 and 2027 were transferred from a U.S. entity to German entities. The resulting foreign currency risks were hedged by forward exchange contracts. As a result, the loans were effectively converted into synthetic euro-denominated loans and actual interest expenses decreased due to positive forward elements of the forward exchange contracts. In total, the actual current volume-weighted average interest rate of the transferred loans decreased to approximately −0.1%. The loan maturing in fiscal year 2046 carried a contractual interest rate of 3.4%.

As of September 30, 2020, Siemens Healthineers continued to participate in the cash pooling of the Siemens Group, which included the short-term investment of excess liquidity and the borrowing of short-term funds within the Siemens Group. Siemens Healthineers intends to set up its own cash pooling in the medium term in order to (partially) replace the participation in the cash pooling of the Siemens Group.

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

As in the previous year, the Siemens Group granted two credit facilities to Siemens Healthineers. As of September 30, 2020, a multicurrency revolving credit facility existed in an amount up to €1.1 billion (September 30, 2019: €1.0 billion). It serves as financing of net working capital and as short-term loan facility. The duration of this credit facility was extended in fiscal year 2020 until January 31, 2023. Additionally, a multi-currency revolving credit facility in an amount up to € 1.0 billion (September 30, 2019: € 1.0 billion) was granted, serving as a financing reserve, available until January 31, 2023. As of September 30, 2020, these credit facilities had been utilized in the amount of € 166 million (September 30, 2019: € 0 million).

As of September 30, 2020, the expected purchase price obligation from the planned acquisition of Varian amounted to US$ 16.4 billion. Upon closing of the acquisition, Siemens Healthineers is obliged to repay amounts outstanding under a credit agreement of Varian of up to US$ 1.2 billion. To finance this acquisition, the Siemens Group provided a bridge facility. As of September 30, 2020, the financing commitment amounted to € 12.5 billion and was not used by Siemens Healthineers. Siemens Healthineers plans to replace the bridge facility with debt capital provided by the Siemens Group and, if appropriate, through issuance of equity instruments.

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

Remaining current liabilities

(in millions of €)	Sept 30, 2020	Sept 30, 2019
Other current financial liabilities	93	152
Current provisions	270	282
Current income tax liabilities	374	346
Other current liabilities	1,198	1,236
Remaining payables to Siemens Group	–	1
Remaining current liabilities	**1,936**	**2,018**

Remaining current liabilities decreased by € 82 million to € 1,936 million. Therein, other current financial liabilities decreased by € 59 million mainly due to changes in value of derivatives and a decrease in liabilities for contingent considerations from business combinations.

Remaining non-current liabilities

(in millions of €)	Sept 30, 2020	Sept 30, 2019
Deferred tax liabilities	470	375
Provisions	144	147
Other financial liabilities	10	16
Other liabilities	345	368
Remaining non-current liabilities	**969**	**906**

Remaining non-current liabilities grew by € 63 million to € 969 million. Therein, deferred tax liabilities increased by € 95 million. Here deferred tax liabilities recognized in the first-time consolidations of Corindus and ECG had an impact.

Total equity

(in millions of €)	Sept 30, 2020	Sept 30, 2019
Issued capital	1,075	1,000
Capital reserve	13,476	10,801
Retained earnings	−1,276	−1,859
Other components of equity	−777	−174
Total equity attributable to shareholders of Siemens Healthineers AG	**12,498**	**9,769**
Non-controlling interests	13	13
Total equity	**12,511**	**9,782**

Equity rose by € 2,729 million to € 12,511 million, mainly as a result of a capital increase through issuing new shares of Siemens Healthineers AG for financing the planned acquisition of Varian. Thus, issued capital increased by € 75 million and capital reserve by € 2,629 million, net of effects from transaction costs.

Retained earnings increased by € 582 million, mainly due to net income for fiscal year 2020 of € 1,423 million, which was partly offset by dividend payments of € 798 million.

Other components of equity decreased by € 604 million, mainly due to currency translation differences.

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

A.3.3.2 Cash flows

(in millions of €)	Fiscal year 2020	Fiscal year 2019
Cash flows from:		
Operating activities	1,928	1,617
Investing activities	−1,912	−647
Financing activities	−249	−603

Operating activities

Cash inflows from operating activities increased by € 311 million to € 1,928 million. In particular, cash outflows from operating net working capital decreased by € 192 million, mainly because cash flows from trade and other receivables improved by € 331 million due to improved receivables management. In contrast, cash outflows from the buildup of inventories increased by € 208 million.

The first-time adoption of IFRS 16, Leases, resulted in an increase in reported cash flows from operating activities of € 130 million with a corresponding decrease in reported cash flows from financing activities. For additional information regarding the first-time adoption of IFRS 16, please refer to →***Note 2 Accounting policies*** in the notes to the consolidated financial statements.

Investing activities

Cash outflows from investing activities increased by €1,264 million to €1,912 million. This was primarily the result of cash outflows for acquisitions of businesses, net of cash acquired, of €1,354 million, chiefly related to the acquisitions of Corindus and ECG.

Financing activities

Cash outflows from financing activities decreased by €354 million to €249 million.

In fiscal year 2020, cash inflows of €2.7 billion resulted from issuance of new shares to finance the planned acquisition of Varian.

Cash inflows from other transactions/financing with Siemens Group changed by €2,098 million to cash outflows of €1,853 million. The funds received from the capital increase were invested with the Siemens Group, resulting in cash outflows in this line item in the corresponding amount. Investment of cash from Siemens Healthineers entities in China with the Siemens Group resulted in additional cash outflows of €406 million in fiscal year 2020. The cash outflows were partly offset by cash inflows resulting from borrowing the loan of €1.0 billion from the Siemens Group in connection with the acquisition of Corindus.

Cash inflows from change in short-term financial debt and other financing activities changed by €153 million to cash outflows of €101 million, mainly due to the above-mentioned shift due to the first-time adoption of IFRS 16.

Higher cash outflows of €99 million resulted from dividends paid to shareholders of Siemens Healthineers AG amounting to €798 million (2019: €699 million).

Free cash flow

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

	Fiscal year	
(in millions of €)	2020	2019
Cash flows from operating activities	**1,928**	1,617
Additions to intangible assets and property, plant and equipment	−557	−579
Free cash flow	**1,371**	1,037

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

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

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

Imaging: In fiscal year 2020, additions to intangible assets were mainly for capitalization of development expenses for software. Additions to property, plant and equipment mainly included the acquisition of specialized tooling for new products, machinery, replacements, and site modernizations.

Diagnostics: In fiscal year 2020, additions to intangible assets were primarily attributable to product developments within the Atellica Solution and Blood Gas product lines. Additions to property, plant and equipment mainly related to investments in production facilities in China and the United States.

Advanced Therapies: In fiscal year 2020, investments were mostly associated with new machinery and tools for the new ARTIS icono product family.

Siemens Healthineers had contractual obligations as of September 30, 2020, to purchase property, plant and equipment totaling €107 million (September 30, 2019: €84 million). These are mainly future payments related to new factories and will be financed through the cash pooling of the Siemens Group.

A.3.4 Overall assessment of the economic position

With respect to our outlook provided in the Annual Report 2019, we expected for fiscal year 2020:

- For Siemens Healthineers: comparable revenue growth between 5% and 6% and adjusted basic earnings per share to increase by 6% to 12%.
- For the Imaging segment: comparable revenue growth below the very strong level of fiscal year 2019, but within the target corridor for Siemens Healthineers for fiscal year 2020 and an increase in adjusted EBIT margin comparable to the increase in the prior year.
- For the Diagnostics segment: an increase in comparable revenue growth, though below the target corridor for Siemens Healthineers for fiscal year 2020, and a slight decrease in adjusted EBIT margin compared to prior year.
- For the Advanced Therapies segment: comparable revenue growth within our target corridor for Siemens Healthineers for fiscal year 2020, and a significant decrease in adjusted EBIT margin compared to the prior year due to the acquisition of Corindus.

The outlook provided in the fiscal year 2019 annual report was withdrawn at the end of the first half of the fiscal year. Due to the COVID-19 pandemic, the underlying assumptions for fiscal year 2020 were in significant parts no longer valid. This held true for the segments, as well as for Siemens Healthineers. Accordingly, initially communicated segment targets for comparable revenue growth and adjusted EBIT margin, and Siemens Healthineers targets for comparable revenue growth and adjusted basic earnings per share, were no longer valid.

In our quarterly statement for the third quarter of fiscal year 2020 we introduced a new outlook for Siemens Healthineers. For fiscal year 2020 we projected flat comparable revenue growth and adjusted basic earnings per share (adjusted for amortization of intangible assets acquired in business combinations, severance charges and acquisition-related transaction costs, after tax) between €1.54 and €1.62 (previous fiscal year: €1.70). The outlook was based on the assumption that the current business environment, including the upward trend in testing for routine care that has been observed, will not deteriorate again, as well as on current exchange rate assumptions and on the current portfolio. In addition, it was assumed that there will be no material change in the valuation of share-based compensation programs that are tied to shares of Siemens AG.

For fiscal year 2020 Siemens Healthineers' comparable revenue growth was 0%, and therefore corresponded to our expected broadly flat revenue growth as stated in our quarterly statement for the third quarter of fiscal year 2020.

In our quarterly statement for the third quarter we did not provide a fiscal year 2020 outlook for our segments. On a comparable basis our Imaging segment revenue grew by 2% and our Advanced Therapies segment by 1%. Diagnostics revenue declined by 4% on a comparable basis.

Adjusted EBIT margin for the Imaging segment was at 21.0% and above the previous fiscal year and within the mid-term target corridor of 20% to 22%. For Advanced Therapies, adjusted EBIT margin was at 18.3%, below the previous fiscal year level and also below the mid-term target of 20% to 22%, due to Corindus. Excluding Corindus adjusted EBIT margin was within the target corridor. With an adjusted EBIT margin of 1.8% Diagnostics was below the previous fiscal year level, mainly due to lower volumes of testing for routine care impacted by the COVID-19 pandemic.

Net income decreased by 10% to €1,423 million, mainly due to a lower EBIT. An increase in financial income, mainly resulting from a debt restructuring in fiscal year 2019, had an offsetting counter effect. The lower net income resulted in a decrease in adjusted basic earnings per share of 7% to €1.59. We therefore fulfilled our outlook of adjusted basic earnings per share between €1.54 and €1.62. Consequently, this KPI was within our expected target corridor as stated in the quarterly statement for the third quarter of fiscal year 2020. Our adjusted basic earnings per share for fiscal year 2020 would be at €1.60 without the capital increase.

The Managing Board and the Supervisory Board propose to the Shareholders' Meeting to distribute a dividend of €0.80 per share entitled to the dividend. This corresponds to the level in the previous fiscal year and in total represents approximately €859 million in expected payments. Based on net income of €1,423 million for fiscal year 2020, the dividend payout percentage is 60%.

We reached significant milestones for the strategic development of Siemens Healthineers and initiated important measures to further strengthen our portfolio in the fiscal year. With the announcement of the planned acquisition of Varian, headquartered in the U.S. and addressing the field of cancer care with solutions in radiation oncology and related software, Siemens Healthineers aims to add value for healthcare providers beyond the current range of products and solutions.

A.4 Nonfinancial matters

Siemens Healthineers is exempted from submitting the nonfinancial group declaration pursuant to Section 315b (2) of the German Commercial Code (hereinafter "HGB") and refers to the combined nonfinancial group declaration, which is integrated in the combined management report in the annual report of Siemens Group for fiscal year 2020. Siemens Group's annual report will be published on the Internet at → ***https://www.siemens.com/investor/en/publications_calendar.php.***

A.5 Report on expected developments

A.5.1 Expected market development

The COVID-19 pandemic is currently still volatile and dynamic, especially as long as further waves, the duration of the crisis and respective government reactions and measures remain unclear. Given this unpredictability, the usual and historic development patterns of Siemens Healthineers' markets might not be applicable for forecasting purposes this year. Therefore, at this point in time it is challenging to reliably estimate the impact of COVID-19 on our addressed markets and therefore the expected developments of these markets. Nevertheless, we expect that the underlying trends described in →***A.1.2 Business environment*** are and will remain intact.

We evaluate the impact of the COVID-19 pandemic on our addressed markets on an ongoing basis. The positive effect on certain market segments within the MedTech landscape (e.g. equipment and supplies needed to fight COVID-19) and technologies (e.g. telehealth) might continue in the next fiscal years. Estimations on when the overall market size and growth might return to pre-COVID-19 levels, however, vary across market segments and geographies. Healthcare capital restraints, potential shifts in budget allocations and increased price sensitivity may have different effects on individual markets in each business area.

For the Imaging equipment markets, it is expected that a recovery will be achieved in fiscal year 2021. For some countries, a soft recovery is expected during fiscal year 2021, without yet returning to previous growth levels. In EMEA, the government initiatives that bolstered market growth in fiscal year 2020 will run out at the end of calendar year 2020, leading to expected market declines. The Advanced Therapies market, being severely impacted by COVID-19 in fiscal year 2020, is expected to fully recover only after the end of fiscal year 2021, with first steps in this direction visible after the second quarter of fiscal year 2021.

The development of a COVID-19 vaccine and further COVID-19 implications such as future waves and potential pent-up demand for testing for routine care are determining factors for the expected future of the Diagnostics market. SARS-CoV-2 tests are expected to drive a market growth surge in fiscal year 2021.

Due to Healthcare resource constraints, the growth recovery of emerging markets as a global growth driver is expected to lag slightly across all segments.

In addition to our addressable product markets described above, the product-related service market offers sustainable growth potential. Given the stable growth of the installed base, this area develops increasingly positive.

Beyond that and in line with our Siemens Healthineers Strategy 2025 described in →***A.1.1 Business description,*** we aim to address attractive adjacent markets and grow innovative new market segments. The announced acquisition of Varian would add another, strongly growing market segment for Siemens Healthineers, valued with a future market potential of around $20 billion (including equipment, service and software solutions for cancer care).

These market development expectations are based on Siemens Healthineers' market model that builds on external sources (amongst others from IQVIA Ltd., OMDIA and Signify Research), market information from MedTech industry associations (amongst others COCIR, NEMA, JIRA and MedTech Europe) and Siemens Healthineers' management estimates.

A.5.2 Business development

As of fiscal year 2021, along with the comparable revenue growth we will apply adjusted EBIT margin (for the segments) and adjusted basic earnings per share (for Siemens Healthineers), for management purposes, according to their new definitions as described in →***A.2 Financial performance system***.

Development in the Imaging segment will primarily be based on recent and planned launches of new products and platforms along with sales of imaging products and services from our existing portfolio. In fiscal year 2021, we expect comparable revenue growth of at least 5% in the Imaging segment, clearly above the previous year, as well as an increase in adjusted EBIT margin of around 100 basis points compared to the prior year.

The outlook for the Diagnostics segment is based on the assumptions that the environment for routine-care testing continues to improve, that we generate at least €100 million revenue with our new CLINITEST Rapid COVID-19 Antigen test and that new products will have a positive contribution to business development. In fiscal year 2021, we expect a mid- to high-single digit comparable revenue growth in the Diagnostics segment. It is expected that the adjusted EBIT margin will recover to more than 5%, clearly above the prior-year level.

The Advanced Therapies segment is significantly positively influenced by sustainable development of the business environment in all addressed clinical areas. These market drivers will increase demands for the segment's products and solutions, supporting our growth expectations. In fiscal year 2021, we expect comparable revenue growth of at least 5% in the Advanced Therapies segment strongly above the prior-year level. We expect adjusted EBIT margin to come in at approximately the prior-year level, and thus continue to develop well compared to the industry overall.

A.5.3 Overall assessment of the expected development

For fiscal year 2021, we expect comparable revenue growth to be in the range of 5% to 8% compared to fiscal year 2020. We expect adjusted basic earnings per share to be between €1.58 and €1.72.

We are exposed to exchange rate effects, particularly involving the U.S. dollar and the currencies of emerging markets such as the Chinese yuan. We expect volatility in global currency markets to continue in fiscal year 2021. Siemens Healthineers is still a net exporter from the euro zone into the rest of the world, which means that in terms of absolute values a weak euro is generally favorable for our business and a strong euro is in principle unfavorable. We use derivative financial instruments to hedge currency risks in our business. We expect this measure to help us limit effects on income related to exchange rate fluctuations in fiscal year 2021.

The outlook is based on several assumptions including the expectation that current and potential future measures to bring the COVID-19 pandemic under control will not negatively impact the demand for our products and services. Furthermore, we expect that the environment for routine-care testing continues to improve and that investment activity in the U.S. will begin to pick up from January 2021. The outlook is also based on current exchange rate assumptions and excluding portfolio activities. It therefore also does not take into account the planned acquisition of Varian. In addition, it is assumed that there will be no material change in the valuation of share-based compensation programs that are tied to shares of Siemens AG. The outlook also excludes charges related to legal and regulatory matters.

The expected adjusted basic earnings per share was based on the expected income tax-rate for fiscal year 2021 and on the number of outstanding shares at the end of fiscal year 2020.

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

We expect a significant increase in revenue for fiscal year 2021, due to the planned acquisition of Varian. The closing is subject to regulatory approvals and other customary closing conditions and is expected to be completed in the first half of calendar year 2021. Starting with fiscal year 2021 we expect a positive impact on our adjusted basic earnings per share due to the planned acquisition of Varian, based on a constant number of shares outstanding.

The statements about the development including Varian are based on external available information, because the acquisition is currently not yet closed.

A.6 Report on material risks and opportunities

A.6.1 Risk management

Basic principles of risk management

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

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

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

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

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

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

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

A.6.2 Risks

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

A.6.2.1 Strategic risks

Transactional Risks (M&A)

Our business strategy includes amongst others the acquisition of companies and business activities that expand or complement our existing business. One example is the planned acquisition of Varian Medical Systems, Inc., which was announced in August 2020. Successful growth through acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions at favorable terms and ultimately complete such transactions as well as integrate the acquired company successfully. Mergers and acquisitions (M&A) are generally associated with risks due to the difficulties that may arise when integrating people, operations, technologies and products. Planned acquisitions are subject to closing conditions, including applicable antitrust and other regulatory approvals as well as approvals within the scope of foreign investment control. The required approvals may be denied, which could adversely affect our strategic planning and require significant adjustments to our operating and financial structures. Non-compliance with such closing conditions by either company could also result in litigation and additional termination fees. Our assessments and assumptions regarding acquisition targets may not prove to be correct and actual developments may differ significantly from our expectations. This could mean that the expected synergies and cost savings may not be fully realized. Acquired companies may also have unexpected or previously unidentified liabilities or pending regulatory litigation. This could result in additional costs and negative effects on our business. There is no guarantee that any of the acquired companies can be integrated successfully and within the planned time frame. It is possible that the intended combination of companies, processes and employees will be more complex than expected. If we cannot successfully integrate newly acquired companies into our existing operations, for example in terms of regulatory compliance, information technology and finance, additional expenses, delays and difficulties could arise. The same applies for the integration of corporate cultures. If we do not succeed in integrating these, we risk losing employees in key roles. This could have a negative impact on our know-how and our ability to innovate as well as on our cooperation with customers. The acquisition could also lead to the loss of customers, suppliers, partners, licensors or contacts to other stakeholders. In addition, unforeseen acquisition, administrative, tax and other expenditures may incur in connection with these transactions, including costs related to integration of acquired businesses. Acquisitions can lead to substantial additions to intangible assets, including goodwill, on our balance sheet. Should an acquired company's business perform below our expectations on a lasting basis, these intangible assets, including goodwill, may have to be impaired which could adversely affect our net assets, financial position and results of operations. We counter these risks by carefully selecting the companies to be acquired and by conducting a thorough due diligence. We also create detailed integration plans, set up integration projects and strive to implement them in a way that countermeasures can be initiated in a timely manner. Moreover, we support the integration of corporate culture and change management by providing clarity about organizational structures to employees and developing and executing clear communication plans. In addition, we strive to achieve and maintain employee loyalty through adequate incentive and compensation programs as well as access to additional local benefits and the company infrastructure.

Increasing governmental protectionism

We operate production, development and service facilities in a number of different countries and market our products, services and solutions worldwide. Due to the international scope of our business operations, we are subject to a multitude of risks and challenges some of which fall beyond our sphere of influence. This includes increasing governmental protectionism in recent years, for example in the form of import and export controls, tariffs and other trade barriers, including exclusion from certain markets and price or exchange controls. Protectionist trade policies and changes in the political and regulatory environment in the markets, could affect our business in national markets and could negatively impact our business, financial position and results of operations. Furthermore, they may expose us to penalties, other sanctions and reputational damage. Furthermore, the imposition of import customs duties, increased regulatory burdens, and non-refundable taxes on foreign value added may result in a need to reduce our transfer prices, if passing these costs along to customers is not feasible. The United States and China are important markets for Siemens Healthineers, and the trade conflict between the two countries burdens our business there. Beside the addition of punitive tariffs, it also brings the risk of threatening free market access. Other protectionist measures such as the imposition of localization requirements or local ownership and shareholder regulations may lead to a significant impact on our business volume and market share as well as a less competitive position for bids and consequently a reduction in our profits. To counter these risks, we continuously observe the global geopolitical developments and its indicators worldwide in order to identify critical cases. Based on that we want to adapt our processes and business model to possible changes due to protectionism, ensure compliance with all legal requirements and educate the organization about 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 and financing terms. Market demand is also subject to change, partly due to rapid and significant changes resulting from the introduction of innovative and disruptive technologies. New competition in the form of healthcare providers in the low-price segment or niche markets, as well as independent service organizations, or global players that want to expand their business with new portfolio elements or introduce new business models, might lead to increased pressure on prices or a loss of market share. There is also the risk that, against the backdrop of rapid technological progress, new providers previously from outside the industry will penetrate our markets, such as IT companies. We counter this risk by constantly monitoring existing competitors, known potential competitors, as well as barriers to market entry, and by exchanging information with industrial associations. If healthcare markets, especially in emerging countries, are unable to achieve the anticipated market growth, then demand for our products, systems and services could decline. This may result in a change in our relative market position, or unexpected price erosion. In some sectors in which we operate, consolidation on the customer side is increasing. If our customers combine through mergers and acquisitions, join group purchasing organizations or otherwise collectively enter our markets, it could result in a lower sales volume and higher price pressure. We address these risks with various measures. This includes among other examples, benchmarking, strategic initiatives, sales push initiatives, and the implementation of productivity measures and projects to achieve target costs for instance by adjustment of operational structures, outsourcing, mergers and establishment of joint ventures, as well as by exporting from low-cost countries to price-sensitive markets and optimizing our product portfolio. We are an industry-wide technology leader with many of our products, solutions and services. However, demand for standardized and basic products is increasing, especially in emerging markets. Such products generally yield lower margins. If we cannot adapt our product mix, cost structure and production capacities quickly enough to changes in the market, technology or the customer requirements for high-end, standard and basic products, this could result in negative effects on our profit. As a countermeasure, we closely monitor how markets develop in order to better anticipate future developments, adapt our product portfolio to future demands, implement tools to strengthen value selling and determine how to lower operating expenses to increase competitiveness for basic and standard products. Furthermore, the launch of new products by others may lead to additional price pressure (for example the competitive response to our laboratory diagnostics platform). We continually monitor and analyze market and competitive information in order to be able to anticipate unfavorable changes in the competitive environment rather than merely reacting to them.

Economic, political and geopolitical conditions (macroeconomic environment)

Global or regional economic and geopolitical instability as well as continuing uncertainties and challenging conditions in regional markets may have a negative impact on our business. Future developments globally depend on a number of political and economic factors that we cannot fully anticipate. There is a risk that an unstable political, regulatory and economic environment in certain countries might potentially result in significant adverse business impacts including non-sustainable business development, diverted management attention or less competitive strength. Slower economic growth in a country might reduce tax revenues, which in a second step could reduce the budget for public healthcare spending. Further risks stem from geopolitical tensions (such as in Iran, Syria, Russia, North Korea, Turkey and Ukraine) and the conflicts which may potentially result. A terrorist attack, 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. We see a high degree of uncertainty regarding the current political environment and a risk to the continued existence of the EU in its current form. This affects stability of fiscal policy, discussions about a crisis of the euro, the development of negative interest rates and further debates regarding national independence. In addition, the outcome of the Brexit negotiations is still unclear. If agreements cannot be reached between the United Kingdom and the European Union, we might face the imposition of new tariffs as well as a re-introduction of customs controls, which might lead to additional costs and disruptions in our supply chain. The outcome of the presidential election in the United States may have an impact on climate, tax, trade, health, immigration and foreign policy which could both negatively and positively affect our business activities. In particular, future developments regarding the Affordable Care Act, such as its impact on our customers and their financial situation, may have significant consequences for our business in the United States. Moreover, if global macroeconomic growth stalls and we cannot successfully adapt our production and cost structure to subsequent changes in the markets we operate in, it cannot be ruled out that we will experience adverse effects. Furthermore, the prices for our products, solutions and services may decline as a result of unfavorable market conditions to a greater extent than we currently anticipate. It may become more difficult for our customers to obtain financing. As a consequence, they may modify, delay or cancel plans to purchase our products, solutions and services, or fail to follow through on purchases or contracts that they have already made. To address risks in this field, we constantly monitor changes in economic, political and geopolitical situations. For example, regarding the Brexit developments we coordinate local and global mitigation measures. We also use opportunities to engage in discussions with local authorities. Siemens Healthineers' global setup, with operations in almost all relevant economies, together with the variety of our products and services, can contribute to the compensation of the impact of an unfavorable development in a single market.

A.6.2.2 Operational risks

COVID-19 Pandemic

Since the beginning of calendar year 2020 we have been affected by impact from the COVID-19 pandemic. Some of the potential key impacts going forward include harm to our employees' health and safety, and the closure of offices and production facilities due to COVID-19 cases. We could experience negative business impacts in the form of disruptions of our supply chain, delays in our time to market for certain products or product lifecycles, or changes in installation and service capacities. Other potential key impacts include revenue shortfalls for example due to investment shifts, reduced reagent demand in the Diagnostics business, shifts in public funding or financial difficulties of customers. Investment shifts could particularly affect medical imaging equipment as far as they are not used in the treatment of COVID-19 patients. Furthermore, unforeseen expenses could adversely impact our financial position. In order to ensure business operations and reduce impacts of the pandemic on our business, we initiated a broad spectrum of measures. These include among others protecting our workforce (such as by provision of personal protective equipment, including prevention principles, COVID-19 testing for employees, particularly including installation and service technicians, working from home, staggered work times to enable social distancing and travel restrictions), regular crisis management team meetings led by the managing board and dedicated task forces, coordinating local response plans, and ensuring close coordination with suppliers. We continue to observe the situation, including changes in pandemic-related restrictions, on an ongoing basis in order to quickly identify new developments, evaluate potential impacts, assess risks and make adjustments where necessary.

Cybersecurity

We observe a global increase of cybersecurity threats and higher levels of sophistication in cybercrime. These pose a risk to the security of products, systems and networks and the confidentiality, availability and integrity of data. In this context the healthcare industry, which is subject to specific privacy, security and safety regulations with regards to a wide range of health information, has become a prime target for attackers. The number of cybersecurity threats and cybercrime was amplified particularly in the healthcare industry throughout the COVID-19 pandemic. These threats have materialized for example with ransomware attacks against healthcare providers, leading to major negative impacts on the provision of healthcare services affecting the health and safety of patients. The attacks experienced against Siemens Healthineers, however, have not changed significantly in number and criticality. The political and regulatory focus on cybersecurity has increased, leading to a variety of regulations being implemented and integrated in various areas and processes. The fines and penalties are elevated and represent both financial and reputational risks that can be avoided only with a strong internal control system and high awareness for the relevant requirements and risks. Preparedness to act against threats and attacks remains a key priority. We establish clear responsibilities across the entire organization through organizational changes. In addition, we made changes in infrastructure, access management, remote working capabilities and cloud-based services that enable secure and uninterrupted operations even during the work situation changed by the pandemic. In addition to our established technical and organizational controls, we strengthen the awareness of our employees so they can detect attacks at an early stage and react to them in an improved manner. Because cybersecurity is a shared responsibility across all involved parties and various stakeholders, we are also constantly developing our ability to preventively protect our customers from cyber-attacks as well as reactively support them after those. In order to respond to market needs, strengthen the internal control system, increase maturity and assurance and meet customer requirements, we are expanding our ISO 27001 certification activities. Moreover, we leverage our cyber resilience to enable business continuity. Therefore, we continue to focus on expanding, adapting and improving established security controls across the organization and the supply chain. We are committed to our security and privacy by design and default approach for both products and internal processes. The exchanges and collaborations with healthcare providers, industry, partners, regulators and security researchers in line with the Charter of Trust principles for a secure digital world have been expanded with regular customer advisory boards, development of internal standards and exchanges of threat intelligence.

Product development and introduction

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

A.6.2.3 Financial risks

Risks from pension obligations

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

Market price risks

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

Tax risks

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

Liquidity and financing risk

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

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

A.6.2.4 Compliance risks

Legal and Regulatory Environment

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

Violations of anti-corruption, antitrust, data privacy legislation or other violations of law

In connection with our worldwide business operations, we must comply with a broad range of legal and regulatory requirements in numerous jurisdictions. Further, as a globally operating company in the healthcare industry we process personal data of our employees, our customers, the patients of our customers and our business partners. Thereby, we are bound by various legislations such as the European Regulation on Data Protection. Since its implementation, European authorities have tightened their enforcement in case of data protection violations and issued higher fines. We are also bound by similar legislation in other countries. We have established compliance and risk management systems to ensure adherence to compliance requirements. Nevertheless, there is no guarantee that we can avoid all risks in every jurisdiction with these systems. Proceedings against us regarding antitrust violations, allegations of corruption or other violations of law, could lead to penalties such as criminal and administrative fines. Further consequences could include sanctions, injunctions against future conduct, profit disgorgements, exclusion from direct or indirect participation in certain types of transactions and public tenders, loss of business licenses or permits or could result in other restrictions and legal consequences. These consequences could under certain circumstances also affect us if they relate to violations by 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 involves 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 antitrust violations, allegations of corruption or other violations of law could impair relationships with such agencies or organizations or could result in the exclusion of public contracts. They 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 customers or our competitors, could initiate litigation against us. Furthermore, we might be exposed to compliance risks in connection with recently acquired companies that are still in the process of integration. In addition, future developments in current or potential future investigations, such as responding to the requests of governmental authorities and cooperating with them, could require increased management attention. A violation of data protection laws could result in significant damage to the Company such as fines, damage and in a loss of reputation. The realization of any of these risks could have a material adverse effect on our business, assets, financial condition and results of operations, reputation and future prospects. Besides other measures such as general training on compliance with law, our antitrust compliance program and the requirements of our Business Conduct Guidelines, Siemens Healthineers has established a global compliance organization. This organization conducts, among others, compliance risk mitigation processes, such as compliance risk assessments, which have been reviewed by external compliance experts. In regard to its business partners, Siemens Healthineers has established a global business partner management process. This includes, among other measures, a careful selection process, a structured onboarding process as well as trainings, monitoring and dialogue during on-site visits as well as regular audits with consistent implementation and monitoring of any measures taken. When handling personal data, we are conscious of our responsibility and take it very seriously. Consequently, we are countering data protection risks now and in the future through organizational measures, for example by strengthening our data protection organization at the central and regional level. Moreover, we have strengthened our corporate governance, for example by issuing a globally applicable directive. At the same time, awareness of data protection among our employees is enhanced through continuous training. To ensure adherence to the set standard, we have implemented data protection controls and also perform independent audits through our internal audit function. By introducing a dedicated tool and setting up contact points we enable timely reporting of potential deficiencies or violations to us, authorities or other stakeholders.

A.6.2.5 Assessment of the overall risk situation

The order in which the risks are presented in each of the four categories above – strategic, operational, financial and compliance risks – reflects the currently estimated exposure. The most significant risks we are currently exposed to are those that arise from the COVID-19 pandemic, legal and regulatory environment and cybersecurity. Compared to prior year and as already described in the half-year financial report COVID-19 pandemic is the most significant risk. We consider all other risks mentioned above not as high as the three most significant risks. At present, no risks have been identified that either individually or in combination could endanger our ability to continue as a going concern.

A.6.3 Opportunities

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

Growth fields

Innovation, digital offerings and new business models are core for our company in shaping the future of the healthcare industry. We invest significantly in R&D in order to develop innovative products, solutions and services for our customers, including in the area of digitalization. In doing so, we aim to safeguard our competitiveness at the same time. Our goal is to enable healthcare providers to create added value by expanding precision medicine, transforming care delivery and improving patient experience by leveraging digital technologies. We expect to be able to meet future demands arising from fundamental trends. These trends include demographic change and global population growth as well as the increasing burden of chronic diseases. We continuously strive to grow and expand our business in established markets, open up new markets for existing portfolio elements and strengthen our installed base in order to gain a higher market share and improved profitability. In addition, we aim to further develop our product portfolio and also grow into adjacent fields, especially in high-growth customer segments. This is achieved through various measures, such as targeted product development (for example entry level systems), the expansion of our consulting competencies to strengthen our position as a trusted partner as well as the assessment of new market entry strategies. The measures also include M&A activities, such as the planned acquisition of Varian Medical Systems, Inc., which was announced in August 2020. Varian is a global leader in cancer care, providing innovative solutions, especially in radiation therapy and related software. Moreover, we see the opportunity to generate additional sales volume and profit from new and innovative digital products, services and solutions, including cybersecurity for our customers, preventive maintenance and data analytics, among others. Furthermore, additional business opportunities could also arise from long-term value partnerships with healthcare providers, supporting our customers in setting up centers of excellence and jointly co-creating on solutions. Further business opportunities could also arise from our SARS CoV-2 test offering (for example the Rapid COVID-19 Antigen test), which helps healthcare providers diagnose COVID-19. In addition, the provision of funds by aid organizations such as the World Health Organization (WHO) or the EU and as well as the provision of national funds or subsidies could further increase. This would expand investment and spending in private hospitals, for example in the Middle East and Africa, Asia and Europe. This in turn could generate additional growth in these markets, especially for standard and basic products and services. In our Diagnostics segment, further collaboration with third parties could create opportunities for increased revenue and margins on existing system platforms through creation of an even broader range of assays in addition to our own development assays and a faster availability for our customers.

Efficiency gains

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

Assessment of the overall opportunities situation

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

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

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

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

At the end of each fiscal year, our management performs an evaluation of the effectiveness of the design and operating effectiveness of the implemented control system. We have a standardized procedure under which necessary controls are defined, documented in accordance with uniform standards, and tested regularly for their effectiveness. Nevertheless, there are inherent limitations on the effectiveness of any control system, and no system, including one determined to be effective, can prevent or detect all misstatements.

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

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

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

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

A.7 Siemens Healthineers AG

The annual financial statements of Siemens Healthineers AG were prepared in accordance with the rules set out in the German Commercial Code.

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

Fiscal year 2020 was particularly notable for the announcement of the takeover of Varian and for the COVID-19 pandemic. For details on the announced Varian takeover, see →***A.3.4 Overall assessment of the economic position*** and →***A.5.3 Overall assessment of the expected development***. In this connection, Siemens Healthineers AG concluded a bridge facility with the Siemens Group and implemented a capital increase. For details please see →***A.3.3.1 Net assets and capital structure***. These transactions led to expenses for fees and services from banks and affiliated companies and for advisory services. Siemens Healthineers Holding I GmbH was acquired in order to carry out the acquisition of Varian. Siemens Healthineers AG guarantees the financial resources of Siemens Healthineers Holding I GmbH through an unrestricted letter of support. The COVID-19 pandemic essentially had an indirect impact on Siemens Healthineers AG by affecting the business activities of its direct and indirect subsidiaries. Please refer to →***A.3.2 Results of operations***.

A dividend payout in the amount of around €859 million is intended for fiscal year 2020. This equals a dividend per share of €0.80. The shares from the capital increase implemented in September are entitled to a dividend as of October 1, 2019.

As of September 30, 2020, Siemens Healthineers AG had 52 employees.

A.7.1 Results of operations

	Fiscal year	
(in millions of €)	**2020**	**2019**
Revenue	16	14
Cost of sales	−15	−13
Gross profit	**1**	1
General administrative expenses	−27	−23
Other operating income/expenses, net	−27	6
Financial income/expenses, net	1,516	1,405
Therein: income from investments	1,535	1,415
Income from business activity	**1,463**	**1,389**
Income taxes	−327	−356
Net income	**1,135**	**1,034**
Profit carried forward	259	24
Unappropriated net income	**1,394**	**1,057**

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

The decline in other operating income/expenses was primarily a result of fees from banks in connection with the implementation of the capital increase.

Net financial income/expenses in the amount of €1,516 million stemmed mainly from income from investments, which resulted both from the profit transfer agreement with Siemens Healthcare GmbH and, for the first time, from a profit transfer from Siemens Healthineers Beteiligungen GmbH & Co. KG amounting to €76 million. The profit transfer from Siemens Healthcare GmbH increased by €44 million, to €1,459 million.

Income taxes included only current income taxes from corporation tax and trade tax because the excess of deferred tax assets was not recognized due to the exercise of the option under Section 274 (1) sentence 2 of the German Commercial Code. In addition to the income tax group formed with Siemens Healthcare GmbH, in fiscal year 2020 Siemens Healthineers AG for the first time also formed an income tax group with two further subsidiaries. The decline in income tax compared with the prior year was essentially due to the fact that Siemens Healthineers AG and Siemens Healthcare GmbH recorded substantially higher tax-free income from investments and that Siemens Healthcare GmbH recorded a €28 million increase in creditable withholding tax.

A.7.2 Net assets and financial position

(in millions of €)	Sept 30, 2020	2019
Non-current assets		
Property, plant and equipment	0	0
Financial assets	19,209	16,185
Current assets		
Receivables and other assets	1,583	1,524
Cash and cash equivalents	0	4
Prepaid expenses	**45**	33
Active difference resulting from offsetting	**0**	–
Total assets	**20,837**	17,747
Shareholders' Equity	**15,868**	12,811
Provisions		
Pensions and similar commitments	22	19
Other provisions	195	143
Liabilities		
Liabilities to affiliated companies and other liabilities	4,752	4,774
Total liabilities and equity	**20,837**	17,747

Non-current assets

The increase in financial assets of €3,024 million pertained essentially to the shares of Siemens Healthineers Beteiligungen GmbH & Co. KG.

Siemens Healthineers AG promised an allocation to equity in the amount of €3,000 million to Siemens Healthineers Beteiligungen GmbH & Co. KG, which the subsidiary requested. The promise may be met in the form of a cash payment, a contribution in kind or a combined cash and non-cash contribution.

In addition, Siemens Healthineers AG acquired Siemens Healthineers Holding I GmbH and promised an additional capital payment in the amount of €24 million to fulfill its obligations under the existing letter of support, which the subsidiary requested.

Due to the letter of support Siemens Healthineers AG has to provide equity to Siemens Healthineers Holding I GmbH with high probability for carrying out the acquisition of Varian, i.e. for financing the purchase price in the amount of US$16.4 billion (€14.0 billion as of September 30, 2020) and for the repayment of all amounts outstanding under an existing credit agreement of Varian, which has a maximum volume of US$1.2 billion (€1.0 billion as of September 30, 2020). In the unlikely case that the acquisition fails Siemens Healthineers AG will have to provide equity to Siemens Healthineers Holding I GmbH for the payment of termination fees up to US$925 million (€790 million as of September 30, 2020) if applicable. Moreover, an additional capital payment for the compensation of a deficit not covered by equity may have to be provided.

Current assets

The increase of €59 million in receivables and other assets resulted primarily from the profit transfer receivable from Siemens Healthcare GmbH, which rose by €44 million to €1,459 million compared with the prior year. Moreover, receivables from the tax authorities from a value-added tax group decreased by €21 million to €75 million.

Prepaid expenses

The €12 million increase in prepaid expenses relates primarily to the deferral of one-time fees of €24 million paid for the bridge facility. The scheduled reversal of discounts from the loan liabilities assumed in the prior year had the opposite effect.

Shareholders' equity

The €3,057 million increase in equity is the result of contrary developments. As a result of the capital increase in September 2020, issued capital rose by €75 million and the capital reserve by €2,655 million. The dividend distributed for fiscal year 2019 decreased the unappropriated net income by €798 million. This negative effect was more than made up for by net income, resulting in an increase in unappropriated net income of €337 million overall. The capital reserve under Section 272 (2) number 4 of the German Commercial Code that remained from the prior year was used again in fiscal year 2020 to acquire treasury shares, of which 898,249 were held as of September 30, 2020 (September 30, 2019: 651,158). For information about the acquisition of treasury shares pursuant to Section 160 (1) number 2 of the German Stock Corporation Act ("Aktiengesetz"), please see Note 11 – Equity in the notes to the annual financial statements of Siemens Healthineers AG for the year ended September 30, 2020. As of September 30, 2020, before allowing for amounts subject to dividend payout restrictions, €338 million of the capital reserve (September 30, 2019: €350 million) could be distributed. The equity ratio rose from 72% to 76%, which was essentially a result of the capital increase. The simultaneous slight increase in liabilities and provisions had the opposite effect on the equity ratio.

Liabilities

Liabilities to affiliated companies and other liabilities almost exclusively included liabilities to affiliated companies. Liabilities from cash pooling decreased by €2,027 million to €195 million, because the cash generated by financing activities and operating activities more than compensated for the cash used for investing activities. Cash pooling liabilities carried an average interest rate of 0.31% in fiscal year 2020. Liabilities to affiliated companies from promised and requested allocations to equity rose by €2,024 million. The other liabilities to affiliated companies, which largely result from a value-added tax group with several subsidiaries, fell by €19 million to €80 million. The loans resulting from the US$ 1.6 billion debt assumption in the prior year remained unchanged. The nominal amounts of the loans denominated in U.S. dollars and all associated interest payments continue to be hedged with forward exchange contracts. Concerning the currency hedging of the loans, please also see Note 21 – Derivative financial instruments and hedging activities in the notes to the annual financial statements of Siemens Healthineers AG for the year ended September 30, 2020. The contractual interest rates for the fixed-rate loans were 1.9% for the US$ 0.9 billion loan due in 2021 and 2.2% for the US$ 0.7 billion loan due in 2023 respectively. Other than the loan maturing in fiscal year 2023, the liabilities had a remaining term of less than one year.

For further information about the bridge facility and the loans denominated in U.S. dollars, see →***A.3.3.1 Net assets and capital structure.***

A.7.3 Cash flows and liquidity

(in millions of €)	Fiscal year 2020	Fiscal year 2019
Cash flows from:		
Operating activities	1,188	223
Investing activities	−1,000	613
Financing activities	1,834	−731

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

Cash generated from operating activities largely resulted from the payment of the profit transfer from Siemens Healthcare GmbH for the prior year. The payments of income taxes had a contrary effect. The significant cash outflow from investing activities in fiscal year 2020 resulted from the settlement of the capital payment to Siemens Healthineers Beteiligungen GmbH & Co. KG which was decided and requested in the prior year. A capital return was made by this subsidiary in the prior year. The cash generated by financing activities consisted of net inflows from the capital increase in the amount of €2,709 million less the dividend payment, which was higher than in the prior year by €99 million, a significant increase in interest paid and the repurchase of treasury shares. The interest paid included the one-time fees for the bridge facility in the amount of €28 million.

The availability of cash to Siemens Healthineers AG is essentially ensured by cash pooling. The proceeds from the capital increase were invested by the cash pool leader separately from the multicurrency revolving credit facility held with Siemens AG in order to ensure the availability of the proceeds for the Varian acquisition.

Concerning special credit terms that may result in early maturity of the assumed loans, please see →***A.9 Takeover-relevant information and explanatory report.***

A.7.4 Corporate Governance statement

The corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code ("Handelsgesetzbuch") is an integral part of the combined management report and is presented in →***C.4.2 Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code.***

A.7.5 Report on relationships with affiliated companies

The Managing Board of Siemens Healthineers AG has submitted to the Supervisory Board the report required by Section 312 of the German Stock Corporation Act for fiscal year 2020 and issued the following concluding declaration:

"We declare that, in the legal transactions and other measures in fiscal year 2020 outlined in the report on relationships with affiliated companies, based on the circumstances which we were aware of at the point in time when the legal transactions were entered into, or the measures were taken or refrained from, the company received adequate consideration in each legal transaction and did not suffer any disadvantage by taking or refraining from taking the measures."

A.8 Compensation report

This report is based on the recommendations of the German Corporate Governance Code (GCGC) in the version dated February 7, 2017 and on the requirements of the German Commercial Code ("Handelsgesetzbuch"), the German Accounting Standards ("Deutsche Rechnungslegungsstandards") and International Financial Reporting Standards (IFRS).

The report details the compensation of the members of the Managing Board and Supervisory Board of Siemens Healthineers AG for fiscal year 2020 in the period from October 1, 2019, to September 30, 2020. It also provides information on the revised compensation system for Managing Board members that will apply as of October 1, 2020.

A.8.1 Compensation of Managing Board members

A.8.1.1 Compensation system

Principles and objectives

The Supervisory Board decides on the compensation system on the basis of proposals made by the Chairman's Committee. The Supervisory Board regularly evaluates the appropriateness of the compensation system and determines the total compensation paid to members of the Managing Board, taking into account the statutory requirements and the recommendations of the GCGC. If necessary, it revises the compensation system. The current compensation system for members of the Siemens Healthineers AG's Managing Board has been in place since March 2018.

The following principles in particular guide the Supervisory Board in designing the compensation system and determining the amount and structure of compensation:

The Company's economic situation, performance and outlook: In deciding on the design and implementation of the compensation system, the Supervisory Board takes account of the Company's size and its current and future economic position.

Sustainable growth of the Company: The compensation system is intended to provide an incentive for successful corporate management and sustainable growth of the Company. The performance-based components allow for both positive and negative future developments. Managing Board members are expected to make a long-term commitment to the Company and are discouraged from taking unreasonable risks. A substantial portion of their total compensation is linked to the long-term performance of Siemens Healthineers AG's share price.

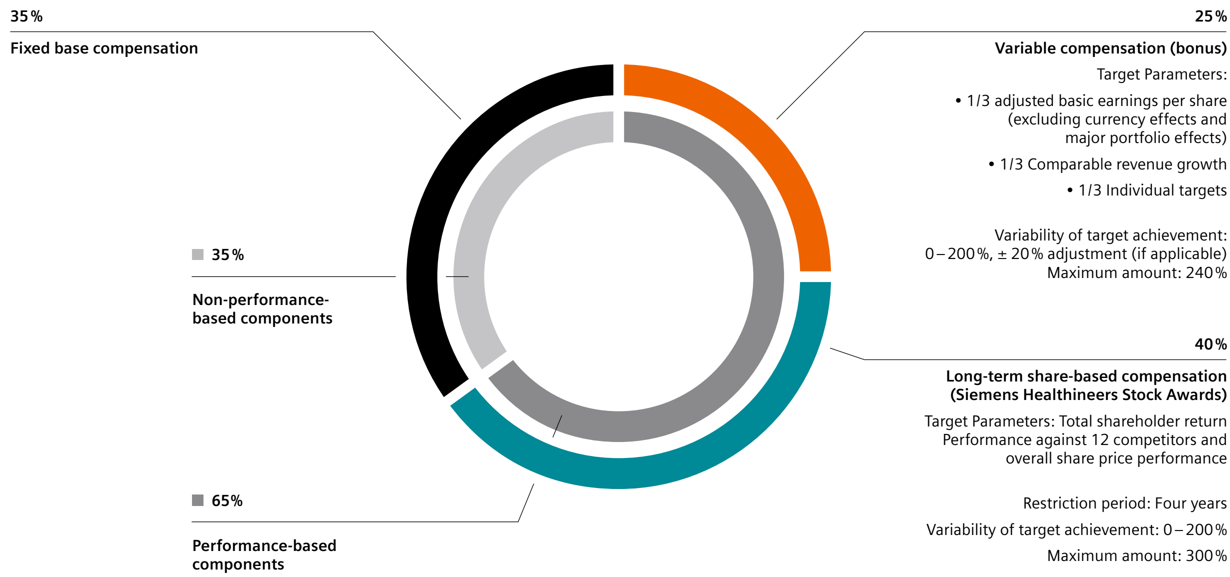
Strategic company targets: The compensation system mirrors the long-term strategic objectives of Siemens Healthineers.

Compensation linked to duties and performance: Compensation depends on the duties, responsibilities and performance of each Managing Board member. The amount of performance-based compensation is dependent on the achievement of demanding targets agreed upon in advance. Performance-based compensation accounts for a significant portion of the total compensation.

Customary level of compensation: The Supervisory Board is particularly concerned with ensuring that the compensation system is in line with market practice and at the same time responds to the contending needs of international competition in the healthcare market, German market practice and the Siemens Group as a strong anchor shareholder. The Supervisory Board considers the customary level of Managing Board compensation at peer companies. For this purpose, the Supervisory Board also obtains recommendations from an independent external compensation expert. Compensation is intended to be attractive in comparison to competitors and thus offer qualified executives an incentive to join and remain with the Company for the long term. The Supervisory Board also considers the compensation structure prevailing in other areas of the Company. It takes due account of the relationship between the Managing Board's compensation and that of senior management and of the rest of the workforce, including the way it develops over time, and also determines how senior management and the relevant staff are to be differentiated.

In fiscal year 2020, the compensation system comprised the following components:

Compensation



Share ownership guidelines
Requirement to hold Siemens Healthineers AG shares worth a multiple of base compensation throughout the term of office.

Pension benefit commitments
The amount of the annual contributions is based on a percentage based on the sum of each Managing Board member's base compensation and the target amount for the variable compensation (bonus).

Fringe benefits
For example, provision of a company car, contribution to insurance costs, housing costs and moving expenses.

The maximum amount for total compensation is 1.7 times the target compensation (plus fringe benefits and pension benefit commitments).
For Dr. Christoph Zindel, the weighting for fiscal year 2020 was slightly different: 39 % fixed base compensation, 25 % variable compensation (bonus) and 36 % long-term share-based compensation (Siemens Healthineers Stock Awards). The ratio of non-performance-based to performance-based compensation was 39 % to 61 %.

Non-performance-based components

Fixed base compensation

The fixed base compensation is paid as a monthly salary in cash. In fiscal year 2020, the annual base compensation amounted to:

- €1,050,000 for the Chief Executive Officer Dr. Bernhard Montag and
- €735,000 and €600,000 for the Managing Board members Dr. Jochen Schmitz and Dr. Christoph Zindel, respectively.

Fringe benefits

Fringe benefits include the costs, or the cash equivalent, of non-cash benefits and other perquisites, such as the provision of a company car, contributions to insurance costs, housing costs and moving expenses, including taxes incurred on these, and costs related to preventive medical examinations.

Performance-based components

Performance-based components consist of the variable compensation (bonus) and the long-term share-based compensation (Siemens Healthineers Stock Awards).

Variable compensation (bonus)
The bonus depends on the Company's business performance in the past fiscal year and on the achievement of individual targets. The bonus is paid entirely in cash and consists of the following components, each accounting for a third of the bonus:

- achievement of the target parameter ***adjusted basic earnings per share*** (excluding currency effects and major portfolio effects) in the past fiscal year,
- achievement of the target parameter ***comparable revenue growth*** in percent compared with the previous fiscal year,
- achievement of individual targets.

For fiscal year 2020, the Supervisory Board defined the following annual target amounts for the bonus based on target achievement of 100%:

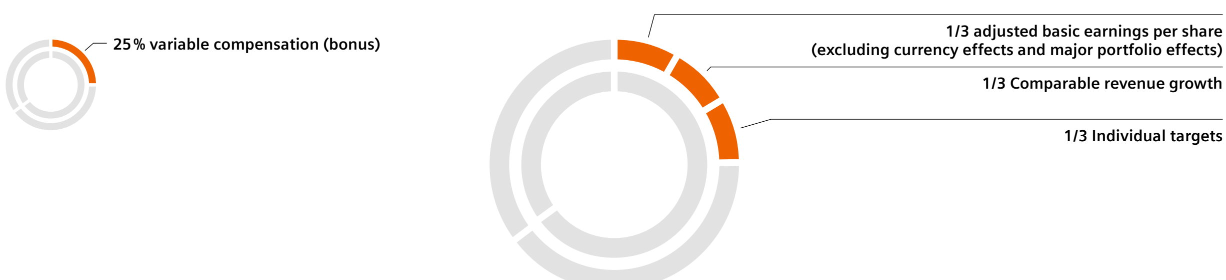
- €775,000 for the Chief Executive Officer Dr. Bernhard Montag and
- €548,000 and €380,000 for the Managing Board members Dr. Jochen Schmitz and Dr. Christoph Zindel, respectively.

The bonus is not paid if target achievement is 0%, and is capped at 200% of the respective target amount.

For some or all of the Managing Board members, the Supervisory Board may increase or decrease the amount of the bonus paid by up to 20%. The related calculations take account of growth and the market in the previous year, the results of a customer satisfaction survey and the results of an employee survey if one is conducted, as well as the Board member's individual contribution. The maximum adjusted bonus amount is 240% of the target amount. In fiscal year 2020, the Supervisory Board did not exercise this adjustment option.

Under a malus clause, the Supervisory Board can reduce the payout amount (to as much as zero) in the event of a severe breach of duty, a severe compliance violation or seriously unethical behavior on the part of a Managing Board member.

Calculation of variable compensation (bonus)



In case of an adjustment the following additional calculation takes place:

Target amount	x	Weighted target achievement (in %)	=	**Target achievement** (0–200% of target amount)
Target achievement	x	Adjustment (0.8–1.2)	=	**Total target achievement** (0–240% of target amount)

Long-term share-based compensation (Siemens Healthineers Stock Awards)
At the beginning of each fiscal year, forfeitable stock awards (Siemens Healthineers Stock Awards) are granted as long-term share-based compensation. For fiscal year 2020, based on a target achievement of 100%, the annual target amount for the cash value of the stock awards was

- €1,235,000 for the Chief Executive Officer Dr. Bernhard Montag and
- €870,000 and €550,000 for Managing Board members Dr. Jochen Schmitz and Dr. Christoph Zindel, respectively.

On an individual basis, the Supervisory Board may increase this amount by up to 75% per fiscal year. This allows the Supervisory Board to account for each Managing Board member's individual performance and experience, the scope and demands of his or her position, and the Company's goal of a long-term and sustainable development of the Company while also assuring the international competitiveness of the compensation system. In fiscal year 2020, the Supervisory Board did not exercise this option.

Calculation of long-term share-based compensation (Siemens Healthineers Stock Awards)

40% long-term share-based compensation (Siemens Healthineers Stock Awards) [1]

[Target amount in € / Closing price of the Siemens Healthineers AG share in Xetra trading at grant date [2] in €] x Target achievement depends on TSR [3] (0 – 200%) Siemens Healthineers AG's TSR compared to competitors' TSR in quartiles (100% target achievement = median performance) = **Final number of Siemens Healthineers' stock awards to be converted into Siemens Healthineers AG shares** x Share price at end of restriction period = **Actual amount in € (cap: 300%)**

Grant (number) | Assessment of target achievement | Consideration of cap

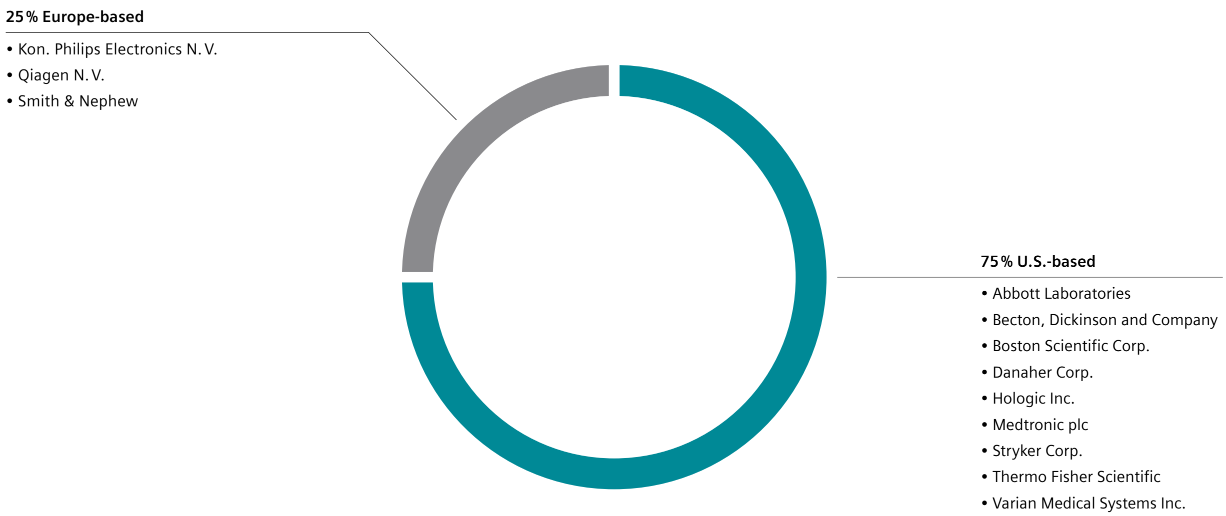
[1] For Dr. Christoph Zindel, the weighting of the long-term share-based compensation (Siemens Healthineers Stock Awards) in fiscal year 2020 was 36%.
[2] Less discounted estimated dividends during the restriction period.
[3] Total shareholder return (TSR) = $\frac{\text{(Performance price – Reference price) + dividends}}{\text{Reference price}}$

After an approximately four-year restriction period, beneficiaries receive one free Siemens Healthineers AG share per stock award, subject to target achievement. The number of stock awards granted is calculated by dividing the target amount by the closing price of the Siemens Healthineers AG share in Xetra trading on the grant date (less the discounted estimated dividends during the restriction period). Stock awards are granted based on a target achievement of 200%. If actual target achievement at the end of the restriction period is below 200%, the corresponding number of stock awards is forfeited without replacement.

The target achievement for the stock awards depends on the total shareholder return (TSR) for the Siemens Healthineers AG share relative to competitors during the restriction period. In order to calculate target achievement, in the first twelve months of the restriction period a reference price (average price) is determined for the total shareholder return of the Siemens Healthineers AG share and relevant competitors, which is then compared with the so-called performance price for each share over the three-year performance period. After the end of the approximately four-year restriction period, this yields a target achievement bandwidth from a minimum of 0% to a maximum of 200% (cap). The actual amount, defined as the final number of Siemens Healthineers AG shares to be transferred multiplied by the Siemens Healthineers AG share price at the end of the restriction period, may not exceed 300% of the originally granted target amount (absolute payout limit). If the actual amount is higher, the corresponding number of stock awards will be forfeited without replacement.

At the beginning of each fiscal year, the Supervisory Board decides on the target system and the relevant competitors. Adjustments can be made in the event of significant changes in the relevant competitors and/or extraordinary unforeseen developments impacting the share price. The following twelve competitors were determined to calculate target achievement for the awards granted in fiscal year 2020:

Competitors



The Supervisory Board may revoke all or some of a Managing Board member's stock awards without replacement in the event of compliance violations by that member, depending on the seriousness of the violation.

With regard to the further terms of the Stock Awards, the same general principles apply for the Managing Board and senior executives; these principles are discussed in more detail in → ***Note 27 Share-based payment*** of the Notes to Consolidated Financial Statements.

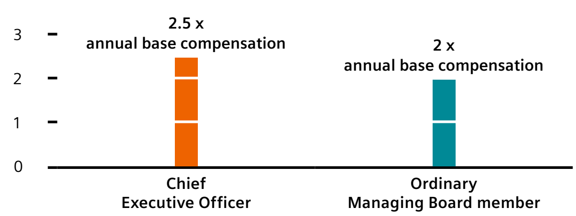
Maximum amount of total compensation

In addition to the caps on performance-based compensation, the maximum amount of total compensation is 1.7 times the target compensation (i.e. the fixed base compensation, the target amounts for variable compensation (bonus) and long-term share-based compensation (Siemens Healthineers Stock Awards) but excluding fringe benefits and pension benefit commitments). If the fringe benefits and pension benefit commitments are included, the maximum amount of total compensation increases accordingly.

Share ownership guidelines

The Share Ownership Guidelines form an integral part of the compensation system for the Managing Board. The Managing Board members' contracts require that during their term of office, they must continuously hold Siemens Healthineers AG shares worth a percentage of their average annual base compensation paid over the last four years. The figures set are 250% for the Chief Executive Officer and 200% for the other Managing Board members. Each Managing Board member must provide evidence of having met this requirement after a buildup period of up to four years (but not before March 2022) and then annually. The Managing Board member must acquire additional shares if the value of his/her shares falls below the required minimum level due to a decline in the Siemens Healthineers AG share price.

Share ownership target
referred to annual base compensation



Pension benefit commitments

The Managing Board members participate in the Siemens Healthineers Beitragsorientierte Siemens Altersversorgung (Siemens Healthineers BSAV). Under this plan, Managing Board members receive contributions that are credited to their pension accounts. Each year, the Supervisory Board determines whether a contribution will be paid and decides the amount as a percentage of the sum of the base compensation plus the target amount for the bonus (currently 28%). It may also decide on special contributions and special provisions for individual members. In making its decisions, the Supervisory Board takes into account the intended level of benefits for each Managing Board member, the length of time he/she has been a member and the annual and long-term expense resulting from providing for those benefits. Managing Board members are eligible to receive benefits at the age of 62, but not before they have retired. As a rule, the accrued pension benefit balance is paid out in twelve annual installments. The Managing Board member or his/her surviving dependents may choose a different payment option, subject to Siemens Healthineers AG's consent.

Pension benefit commitments or entitlements expire if a recipient jeopardizes or harms important interests of the Siemens Group or acts in a way that would entitle Siemens Healthineers AG to terminate his/her contract for cause.

Other rules of the compensation system

Commitments in connection with the termination of Managing Board membership

The following provisions apply if a Managing Board membership is terminated prematurely:

- ***Termination by mutual agreement without serious cause:*** The Managing Board contracts provide for a severance payment in this case. The severance payment is limited to the remaining term of the board member's contract, and cannot exceed two years' compensation in any case. It is payable in the month the member leaves the Managing Board. The amount of the severance payment is calculated based on the fixed base compensation together with the bonus and stock awards actually granted in the last fiscal year before termination. If the remaining term of the member's appointment is more than six months, the severance payment is reduced by 10% as a lump sum allowance for discounted values and for income earned elsewhere. This reduction applies only to the portion of the severance payment calculated excluding the first six months of the remaining contract term. An additional flat rate of 5% of the severance payment is paid to cover non-cash benefits. A one-time special contribution is also made to the Siemens Healthineers BSAV. The amount is based on the contribution made in the previous year and on the remaining term of the Managing Board member's appointment, with a cap of two years' of contributions.
- ***Premature termination at the Managing Board member's request, or termination by Siemens Healthineers AG for serious cause:*** None of the above payments are made.
- ***Serious breach of fundamental contractual duties by a Managing Board member:*** None of the above payments are made. Siemens Healthineers AG reserves the right to claim damages.
- ***Change of control:*** If a change of control (controlling influence of a shareholder outside the Siemens Group as a result of a majority voting interest, intercompany agreement or merger) takes place and leads to a material change in a Managing Board member's position, that member has a right of termination. This right is excluded if the change of control occurs during the twelve months before the member's retirement. If the Managing Board member exercises this right, he or she is entitled to a severance payment for the remaining term of his or her appointment, capped at two years' compensation. The calculation is based on the fixed base compensation, the target amount for the variable compensation (bonus) and for the stock awards (each for the last fiscal year completed prior to the termination). The entitlement does not apply if the Managing Board member receives benefits from third parties on the occasion of or in connection with the change of control. The reduction of 10% and the increase of 5% of the severance payment apply accordingly to the above outlined section "Termination by mutual agreement without serious cause".

The following further provisions apply to stock awards:

- Stock awards for which the restriction period is still in effect expire without replacement if the employment contract is not extended after the appointment period at the Managing Board member's request, or if a serious cause is present that would have entitled Siemens Healthineers AG to revoke the appointment or terminate the contract.
- However, stock awards are not forfeited if the contract is terminated by mutual agreement at Siemens Healthineers AG's request, or because of retirement, disability or a change of role within Siemens Healthineers.
- On termination of the employment agreement because of a structural measure (e.g., merger, carve-out), the Managing Board member is entitled to a cash settlement.
- If a beneficiary dies, his/her heir is entitled to a cash settlement.

Secondary activities of Managing Board members

Managing Board members may take on secondary activities, especially supervisory board memberships outside Siemens Healthineers, only with the approval of the Chairman's Committee of the Supervisory Board. It is up to the Supervisory Board to decide on any adjustments of compensation to take account of possible compensation from secondary activities.

Mandates held in other Siemens Healthineers companies are considered to be covered by the Managing Board's compensation. As a general rule, Managing Board members are obliged to waive any compensation that may be due to them for these positions. If this is not possible, the compensation paid by the Siemens Healthineers company will be offset against the Managing Board's compensation.

Further information regarding memberships in supervisory boards or in comparable domestic or foreign controlling bodies of business enterprises can be found in the additional information in → ***C.4.1.1 Managing Board.***

A.8.1.2 Compensation of Managing Board members for the fiscal year

The following describes the compensation the Managing Board members of Siemens Healthineers AG received during fiscal year 2020. After assessing achievement of the targets it set in October 2019, the Supervisory Board established the amounts of the variable compensation, long-term share-based compensation and pension benefit commitments for the Managing Board members in office as of September 30, 2020, as follows:

Variable compensation (bonus)

The Supervisory Board set the target parameters adjusted basic earnings per share (excluding currency effects and major portfolio effects) and comparable revenue growth for all Managing Board members. In order to take comprehensive account of each Managing Board member's individual performance, it also set individual targets, each consisting of three focus topics. The figures set for 100% target achievement are shown below, together with the figures actually achieved:

Target parameter (each weighting 1/3)	Target value for 100%	Actual figure for fiscal year 2020
Adjusted basic earnings per share (excluding currency effects and major portfolio effects) [1]	€1.80	€1.58
Comparable revenue growth	4.98%	−0.24%
Individual targets	2020 focus topics: Strategy 2025, Operational Performance, People	

[1] The adjustment due to currency effects amounted to €−0.01 in fiscal year 2020.

In fiscal year 2020, target achievement was between 39.0% and 47.3%. In its overall assessment, the Supervisory Board decided not to make any adjustments to the bonus payout amounts.

Long-term share-based compensation (Siemens Healthineers Stock Awards)

The number of stock awards granted is based on 200% target achievement. The number of stock awards granted was determined based on the price of the Siemens Healthineers AG share in Deutsche Börse AG's Xetra trading on the grant date, less the discounted estimated dividends during the restriction period. The value used to determine the number of stock awards was €38.20.

Total compensation

Based on the Supervisory Board's decisions as described above, the Managing Board's compensation for fiscal year 2020 totaled €6,230,641. Of this total, cash compensation accounted for €3,275,054 and share-based compensation for €2,955,587. The compensation granted to the Managing Board members in fiscal year 2020 and 2019 is presented below.

Managing Board members in office in fiscal year 2020

(Amounts in thousands of €)

Non-perfomance-based components	Fixed base compensation	
	Fringe benefits[1]	
	Total	
Performance-based components	without long-term incentive effect, non-share-based	One-year variable compensation (bonus) – target amount
	with long-term incentive effect, share-based	Multi-year variable compensation[2, 3, 4] stock awards[5, 6] (restriction period: four years)
		IPO incentive[7] (restriction period: three years)
	Total[8]	
	Service Cost	
	Total compensation (GCGC)	
Total compensation of all Managing Board members for fiscal year 2020, in accordance with the applicable reporting standards, amounted to €6.23 million (prior year: €7.97 million). The payout amount presented below is to be used instead of the target value according to the DCGK for one-year variable compensation. Service costs for pension benefits are not included.		
Performance-based components	without long-term incentive effect, non-share-based	One year variable compensation (bonus) – payout amount
Total compensation[9]		

[1] Fringe benefits include the cost, or the cash equivalent, of non-cash benefits and perquisites, such as provision of a company car, contributions to insurance costs, housing costs and moving expenses, including taxes incurred on these, and costs related to preventive medical examinations.

[2] The figures for individual maximums for multi-year variable compensation reflect the possible maximum value in accordance with the maximum amount agreed on for fiscal year 2020 and 2019, i.e. 300% of the applicable target amount.

[3] In fiscal year 2020, the expenses recognized for share-based compensation for Managing Board members in accordance with IFRS amounted to €1,912,770 (prior year: €1,986,309). The following amounts pertained to the Managing Board members in fiscal year 2020: Dr. Bernhard Montag €1,027,711 (prior year: €591,285), Dr. Jochen Schmitz €733,356 (prior year: €437,071) and Dr. Christoph Zindel €151,703 (prior year: €0).

[4] If the plan conditions are met, Managing Board members are, based on a 100% target achievement, entitled to 4,558 Siemens AG shares (prior year: 2,264) from participation in Siemens share programs, which are transferred after expiry of the respective holding or vesting period. For Siemens share programs expenses of €247,195 (prior year: €44,580) were recognized according to IFRS in fiscal year 2020. Due to the spin-off of Siemens Energy from Siemens Group, the Managing Board members will receive an additional cash payment as compensation for the expected dilution when their Siemens share programs vest. Herefore, an expense in accordance with IFRS of €47,653 was recognized in fiscal year 2020.

Dr. Bernhard Montag Chief Executive Officer				Dr. Jochen Schmitz Chief Financial Officer				Dr. Christoph Zindel Managing Board Member			
2020	**2020 (Min)**	**2020 (Max)**	**2019**	**2020**	**2020 (Min)**	**2020 (Max)**	**2019**	**2020**	**2020 (Min)**	**2020 (Max)**	**2019**
1,050	1,050	1,050	1,050	735	735	735	735	600	600	600	–
58	58	58	65	31	31	31	33	35	35	35	–
1,108	**1,108**	**1,108**	**1,115**	**766**	**766**	**766**	**768**	**635**	**635**	**635**	**–**
775	–	1,860	750	548	–	1,315	525	380	–	912	–
1,375	–	3,705	1,147	968	–	2,610	803	612	–	1,650	–
–	–	–	465	–	–	–	317	–	–	–	–
3,258	**1,108**	**5,202**	**3,477**	**2,283**	**766**	**3,660**	**2,413**	**1,628**	**635**	**2,601**	**–**
505	505	505	519	348	348	348	358	267	267	267	–
3,763	**1,613**	**5,707**	**3,996**	**2,630**	**1,114**	**4,008**	**2,771**	**1,895**	**902**	**2,868**	**–**
367			791	250			566	148			–
2,850			**3,518**	**1,985**			**2,454**	**1,396**			**–**

[5] If the plan conditions are met, Dr. Christoph Zindel is, based on a 100% target achievement, additionally entitled to 21,338 Siemens Healthineers AG shares for participation in Siemens Healthineers share programs prior to his appointment to the Managing Board, which are transferred after expiry of the respective holding or vesting period. Herefore, an expense of €161,477 was recognized in fiscal year 2020.

[6] The cash value of stock awards for 100% target achievement was €2,655,015 (prior year: €2,880,017). The amounts for individual Managing Board members were as follows: Dr. Bernhard Montag €1,235,006 (prior year: €1,200,001), Dr. Jochen Schmitz €870,005 (prior year: €840,008) and Dr. Christoph Zindel €550,004 (prior year: €0).

[7] The cash value of the IPO incentive stock awards (second tranche) for 100% target achievement, which were granted in fiscal year 2019, was €795,027. The amounts for individual Managing Board members were as follows: Dr. Bernhard Montag €472,516 and Dr. Jochen Schmitz €322,511. For further information on the IPO incentive, see → ***A.8.1.3 Additional information on share-based compensation instruments.***

[8] The total maximum compensation for fiscal year 2020 represents the contractual maximum amount for total compensation, excluding fringe benefits and pension benefit commitments. At 1.7 times target compensation (base compensation, target amount for the bonus and target amount for long-term share-based compensation), the maximum amount is less than the total of the individual contractual caps for performance-based components.

[9] The total compensation includes the respective fair value of the share-based compensation components as of the grant date. Based on the respective cash values of share-based compensation components, the total compensation amounted to €5,930,069 (prior year: €8,091,184).

Allocations

The following table shows allocations for fiscal year 2020 and 2019 for fixed base compensation, fringe benefits, and one-year and multi-year variable compensation, as well as the service cost for pension benefits:

Managing Board members in office in fiscal year 2020

(Amounts in thousands of €)			Dr. Bernhard Montag[3] Chief Executive Officer 2020	2019	Dr. Jochen Schmitz[3] Chief Financial Officer 2020	2019	Dr. Christoph Zindel[3] Managing Board Member 2020	2019
Non-perfomance-based components	Fixed base compensation		1,050	1,050	735	735	600	–
	Fringe benefits[1]		58	65	31	33	35	–
	Total		**1,108**	1,115	**766**	768	**635**	–
Performance-based components	without long-term incentive effect, non-share-based	One-year variable compensation (bonus) – payout amount[2]	367	791	250	566	148	–
	with long-term incentive effect, share-based	Multi-year variable compensation	–	–	–	–	–	–
	Total		**1,475**	1,907	**1,016**	1,334	**784**	–
	Service Cost		505	519	348	358	267	–
	Total compensation (GCGC)		**1,980**	2,425	**1,364**	1,693	**1,051**	–

[1] Fringe benefits include the costs, or the cash equivalent of, non-cash benefits and perquisites, such as the provision of a company car, contributions to insurance costs, housing costs and moving expenses, including taxes incurred on these, and costs related to preventive medical examinations.

[2] The payout amount for one-year variable compensation (bonus) shown above represents the amount awarded for fiscal year 2020 and 2019, which will be paid out in January 2021 or was paid out in January 2020, respectively.

[3] In fiscal year 2020, the members of the Managing Board received the following additional amounts from participation in Siemens share programs granted prior to their appointment to the Managing Board of Siemens Healthineers AG: Dr. Bernhard Montag €120,006, Dr. Jochen Schmitz €82,463 and Dr. Christoph Zindel €329,481.

Pension benefit commitments

For fiscal year 2020, the Managing Board members were granted contributions under the Siemens Healthineers BSAV totaling €1,144,640 (2019: €856,800) based on the resolution by the Supervisory Board in October 2020.

Of the above amount, €12,410 related to the funding of pension commitments earned prior to transfer to the Siemens Healthineers BSAV. The contributions are added to the respective pension accounts each January, following the end of the fiscal year. Until the beneficiary's date of retirement, his/her pension account is credited with an annual interest payment (guaranteed interest) on January 1 of each year. The interest rate is currently 0.9%.

The following table shows details of the individual contributions (additions) during the fiscal years, as well as the defined benefit obligations for pension commitments.

Managing Board members in office in fiscal year 2020

(Amounts in thousands of €)	Contributions[1] in fiscal year 2020	2019	Defined benefit obligations for all pension commitments excluding deferred compensation[2] on Sept 30, 2020	2019
Dr. Bernhard Montag	511	504	3,768	3,328
Dr. Jochen Schmitz	359	353	2,864	2,585
Dr. Christoph Zindel	274	–	875	–
Total	**1,145**	857	**7,507**	5,913

[1] The expenses (service cost) recognized in accordance with IFRS in fiscal year 2020 for Managing Board members' entitlements under the Siemens Healthineers BSAV amounted to €1,119,686 (2019: €1,262,061).

[2] There was no contribution to deferred compensation in fiscal year 2020 or 2019.

Benefits for former members of the Managing Board

In fiscal year 2020, former Managing Board members and their surviving dependents received total benefits within the meaning of Section 314 (1) no. 6 lit. b of the German Commercial Code in the amount of €37,384.

Loans and advances

No loans or advances from the Company were provided to members of the Managing Board.

A.8.1.3 Additional information on share-based compensation instruments

Overview of stock awards

The following table shows the changes in stock awards held by Managing Board members in fiscal year 2020:

Managing Board members in office in fiscal year 2020

(Number of units of forfeitable Siemens Healthineers' stock awards)	Balance[3] at beginning of fiscal year 2020	Granted during fiscal year 2020[4]	Balance at the end of fiscal year 2020
Dr. Bernhard Montag[1]	132,680	64,660	197,340
Dr. Jochen Schmitz	91,754	45,550	137,304
Dr. Christoph Zindel[2]	–	28,796	28,796
Total	**224,434**	**139,006**	**363,440**

[1] Some of Dr. Bernhard Montag's stock awards were originally granted as Siemens stock awards (based on Siemens AG stocks) in November 2017, but were replaced with Siemens Healthineers stock awards and are thus reported as such. The number includes 9,391 phantom stock awards. In lieu of a transfer of shares, a cash equivalent will be paid for the phantom stock awards at the end of the restriction period. Otherwise, the same provisions apply as for the stock awards.

[2] In addition, Dr. Christoph Zindel is, based on a 100% target achievement, entitled to 21,338 Siemens Healthineers AG shares for participation in Siemens Healthineers share programs, which are transferred after expiry of the respective holding or vesting period.

[3] The balance at the beginning of the fiscal year includes 115,614 share awards based on 200% target achievement.

[4] The number of stock awards is based on 200% target achievement. The weighted average fair value was €21.26 per granted share.

The balance of stock awards includes also one-time IPO stock awards granted in two tranches, in the 2018 term of office (March 1, 2018 to September 30, 2018) and in fiscal year 2019, to those members who were in office during this period, Dr. Bernhard Montag and Dr. Jochen Schmitz (IPO incentives):

- 50% after completion of the IPO (granted: 2018 term of office) and
- 50% one year later (granted: fiscal year 2019).

No further stock awards were granted in connection with the IPO incentive in fiscal year 2020.

The total target amount of both tranches (for 100% goal achievement) corresponded to the agreed annual base compensation in fiscal year 2018. The actual target amounts and number of stock awards per tranche were calculated taking into account the target achievement levels determined by the Supervisory Board. In this context, the number of stock awards equaled the actual target amount divided by the fair market value of the Siemens Healthineers AG shares at the time each tranche was granted.

Target achievement per tranche might vary between 50% (floor) and 150% (cap). The stock awards granted are subject with a restriction period of three years. The beneficiaries receive one Siemens Healthineers AG share or an equivalent cash payment for each stock award. The forfeiture rules, including the malus clause outlined above for the stock awards, apply accordingly.

A.8.1.4 Revised compensation system effective as of October 1, 2020

At the start of calendar year 2020, the Act Implementing the Second Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – ARUG II) entered into force, introducing material changes to managing board compensation requirements. The revised GCGC, which has been in force since March 20, 2020, also contains new recommendations for managing board compensation. These changes prompted the Supervisory Board to perform a thorough review and update of the Company's Managing Board compensation system.

At its meeting in September 2020, the Supervisory Board resolved to implement the revised Managing Board compensation system with effect from October 1, 2020. In reaching its decision, the Supervisory Board took account of the provisions of Section 87a (1) of the German Stock Corporation Act (AktG), the recommendations of the GCGC, the Siemens Healthineers Strategy 2025 and the expectations of our shareholders. The new compensation system will be submitted to the next Shareholders' Meeting for approval. All Managing Board members have agreed to the necessary changes in their service contracts.

Supporting a sustainable, future-proof corporate growth – Siemens Healthineers' Strategy 2025

One of the goals of the revised compensation system is to make compensation contribute even more to the pursuit of our business strategy and to Siemens Healthineers' long-term growth. The Siemens Healthineers Strategy 2025 is geared to faster profitable growth. The intention is for the Company to grow both by strengthening its current core business and sharpening its strategic focus on adjacent growth areas. With its strong weighting of variable compensation components coupled with ambitious targets, the compensation system is designed to motivate the Managing Board to implement the Siemens Healthineers Strategy 2025 in an effective manner. The long-term variable compensation component (Siemens Healthineers Stock Awards) is clearly geared to the Company's share price, aligning Managing Board compensation more closely with the shareholders' interests. At the same time, the Managing Board compensation is intended to encourage the sustainable, long-term growth of Siemens Healthineers, namely by lending greater weight to long-term variable compensation elements and by introducing a sustainability target that is measured with reference to two or three ESG (environmental, social and governance) goals. The system is designed to promote innovation and provide incentives for the Company's value-creating long-term growth while simultaneously avoiding unreasonable risks.

Fundamentals of and key changes to the compensation system

The total compensation of the Managing Board members of Siemens Healthineers AG continues to comprise non-performance-based and performance-based components. The non-performance-based fixed compensation comprises the base compensation as well as fringe benefits and pension benefit commitments (Siemens Healthineers BSAV). The performance-based – and thus variable – compensation comprises short-term variable compensation (bonus) and long-term variable share-based compensation (Siemens Healthineers Stock Awards).

The revision of the compensation system left the base compensation and fringe benefits largely unchanged. The variable compensation components, bonus and Siemens Healthineers Stock Awards, and pension benefit commitments were evolved and adapted to meet the new regulatory requirements. Each Managing Board member's possible total compensation is capped (maximum compensation).

The following are the main changes to the compensation system:

- ***Abolishment of the discretionary adjustment option for performance-based compensation***
  The Supervisory Board's discretionary option of revising the bonus payable upward or downward by up to 20% or increasing the target amount of Siemens Healthineers Stock Awards by up to 75% per fiscal year was abolished. As a result, the maximum bonus payout amount was reduced from 240% to 200% of the target amount.
- ***Adjustment of the comparative group for Siemens Healthineers Stock Awards***
  To enhance the comprehensibility of relative performance in the context of the Siemens Healthineers Stock Awards, capital market performance will be measured in the future on the basis of total shareholder returns (TSR) relative to two equally weighted indices: MSCI World Health Care and MSCI Europe Health Care Equipment & Services. These two indices are closely aligned with Siemens Healthineers' most important markets, competitors and areas of activity, and are also defined by an external provider.
- ***Strengthening sustainability***
  Linking financial targets to sustainability goals in both the short- and long-term variable compensation components underscores in particular the significance of sustainable business practices.
- ***Changeover to fixed Siemens Healthineers BSAV contributions***
  Going forward, the Supervisory Board will set the pension plan contribution as a fixed amount, rather than in relation to the target cash compensation (base compensation plus target amount for bonus).
- ***Abolishment of change-of-control rule***
  In accordance with the recommendation of the new GCGC, the change-of-control rule – under which a Managing Board member has a right of termination if control of the company changes in such a way that materially affects that member's position – will be rescinded. As a result, the entitlement to a severance payment has also been abolished.
- ***Malus and claw-back rule***
  A claw-back rule has been introduced in addition to the existing malus rule. This rule allows the Supervisory Board, in particular in cases of serious breaches of duty, to demand full or partial repayment of performance-based compensation and to declare Siemens Healthineers Stock Awards invalid.

Previous compensation system	Aspect	Compensation system as of fiscal year 2021
Performance criteria: › 1/3 adjusted basic earnings per share (excluding currency effects and major portfolio effects) › 1/3 comparable revenue growth › 1/3 individual performance Discretionary adjustment option of up to +/–20% Cap: 240% of target amount	**Bonus**	Performance criteria: › 2/3 corporate financial performance (2–3 equally weighted KPIs) Two KPIs were set for fiscal year 2021: 1. adjusted basic earnings per share (excluding major currency and portfolio effects) 2. comparable revenue growth › 1/3 individual performance (2–4 KPIs) No discretionary adjustment possible Cap: 200% of target amount
Performance criterion: › 100% of TSR relative to twelve competitors Discretionary option of increasing the target amount by up to 75% per fiscal year	**Siemens Healthineers Stock Awards**	Performance criteria: › 80% of TSR relative to two equally weighted indices: *MSCI World Health Care* and *MSCI Europe Health Care Equipment & Services* › 20% sustainability (2–3 ESG KPIs) Three ESG KPIs were set for fiscal year 2021: 1. Access to healthcare 2. Reduction of CO_2 emissions 3. Improvement of gender balance No discretionary increase possible
Siemens Healthineers BSAV contribution as a percentage of target cash compensation	**Pension benefit commitment**	Fixed Siemens Healthineers BSAV contribution in euro
Malus rule for variable compensation (bonus)	**Malus/claw back**	Malus and claw back rules for bonus and Siemens Healthineers Stock Awards
Right of termination for Managing Board member Severance payment of a maximum of two years' compensation (base compensation, target amount for variable compensation (Bonus) and stock awards)	**Change of control**	Rule abolished

Introduction of maximum compensation

By introducing a maximum compensation amount for the CEO and ordinary Managing Board members, Siemens Healthineers AG is meeting the requirements of Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act. The maximum compensation comprises all performance-based and non-performance-based compensation components. It represents the maximum compensation limit and thus the actual maximum amount payable for the corresponding fiscal year, taking into account fixed compensation (including base compensation, fringe benefits and pension benefit commitments), short-term variable compensation (bonus) and long-term variable compensation (Siemens Healthineers Stock Awards). Furthermore, the maximum compensation also includes additional benefits agreed in the individual service contract, for example a severance payment for forfeited benefits from the previous employer. The maximum compensation thus reflects Siemens Healthineers AG's maximum expense for the relevant Managing Board member.

Transparency

In revising its Managing Board compensation system, Siemens Healthineers AG's goal is to further enhance transparency in compliance with the regulatory requirements and the needs of our shareholders. In addition, the new compensation system is intended to be simple, clear and comprehensible, so that it is always apparent how the compensation system contributes toward implementing the corporate strategy and/or ensuring Siemens Healthineers AG's sustainable growth.

In future compensation reports, the decisive performance criteria and financial KPIs for the bonus of the following fiscal year will be announced in advance, as will the selected ESG KPIs for the sustainability goal in the new tranche of the Siemens Healthineers Stock Awards.

What is more, the target values, target corridors and goal achievement levels for the financial KPIs used to calculate the bonus will be published in arrears for the corresponding fiscal year. Similarly, the target values, target corridors and goal achievement levels for the KPIs for the Siemens Healthineers Stock Awards (i.e. the two relative capital market performance figures and the KPIs for the sustainability goal) will be announced after expiry of the restriction period of each tranche.

Targets for fiscal year 2021

At its meeting in September 2020, the Supervisory Board adopted the following performance criteria (and KPIs) for the bonus for fiscal year 2021:

- As regards corporate financial performance, the performance criteria ***profit/earnings*** (measured with reference to adjusted basic earnings per share (excluding major currency and portfolio effects)) and ***growth*** (measured with reference to comparable revenue growth) were adopted. Adjusted basic earnings per share and the comparable revenue growth refer to the definition changed as of fiscal year 2021. For details, see →***A.2 Financial performance system***.
- Four equally weighted targets were set to measure the individual performance of each Managing Board member.

The Supervisory Board also determined the following performance criteria for the Siemens Healthineers Stock Awards tranche 2021 (restriction period: approximately four years):

- ***80% of relative TSR,*** measured against two equally weighted indices: MSCI World Health Care and MSCI Europe Health Care Equipment & Services, and
- ***20% sustainability,*** measured against three equally weighted ESG KPIs: 1. Access to healthcare 2. Reduction of CO2 emissions and 3. Improvement of gender balance.

A.8.2 Compensation of Supervisory Board members

Section 12 of the articles of association of Siemens Healthineers AG governs the compensation of the Supervisory Board members and specifies the following base compensation for each fiscal year:

- €220,000 for the Supervisory Board Chair,
- €110,000 for Supervisory Board members.

Additionally, for serving on the Supervisory Board committees:

- €80,000 for the Chair of the Audit Committee,
- €40,000 for each of the other members of the Audit Committee,
- €60,000 for the Chair of the Innovation and Finance Committee,
- €30,000 for each of the other members of the Innovation and Finance Committee.
- €40,000 for the Chair of the Chairman's Committee,
- €20,000 for each of the other members of the Chairman's Committee,
- €20,000 for the Chair of the Related-Party Transactions Committee,
- €10,000 for each of the other members of the Related-Party Transactions Committee.

Supervisory Board members who did not serve as a member or chair of the Supervisory Board or of a committee for the full (12-month) fiscal year receive prorated compensation, rounded up to full months.

If a Supervisory Board member fails to attend a Supervisory Board meeting, one-third of the total compensation entitlement described above is reduced by a percentage equal to the percentage of the meetings that the Supervisory Board member did not attend relative to the total number of Supervisory Board meetings held in the fiscal year. Compensation is payable to members of the Related-Party Transactions Committee only in fiscal years in which the committee convenes at least once or adopts at least one resolution.

In addition to the above, members receive €1,500 for each attendance at meetings of the Supervisory Board or its committees. Siemens Healthineers AG reimburses all Supervisory Board members for their expenses and for value-added tax levied on their salaries.

As the Supervisory Board receives fixed compensation only, this encourages both the Company's long-term growth and the Supervisory Board's own independence.

No loans or advances from the Company were provided to Supervisory Board members.

Based on these provisions, the compensation was as follows:

Supervisory Board members in office in fiscal year 2020

	Fiscal year 2020				Fiscal year 2019			
(Amounts in €)	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total
Prof. Dr. Ralf P. Thomas [1]	–	–	–	–	–	–	–	–
Dr. Norbert Gaus	110,000	50,000	36,000	196,000	110,000	50,000	33,000	193,000
Dr. Roland Busch [1,2]	–	–	–	–	–	–	–	–
Dr. Marion Helmes	110,000	53,333	21,000	184,333	110,000	40,000	21,000	171,000
Dr. Andreas C. Hoffmann	110,000	93,333	42,000	245,333	110,000	60,000	31,500	201,500
Michael Sen [1,2]	–	–	–	–	–	–	–	–
Dr. Philipp Rösler	110,000	–	12,000	122,000	110,000	–	13,500	123,500
Dr. Nathalie von Siemens	110,000	–	12,000	122,000	105,926	–	12,000	117,926
Dr. Gregory Sorensen	110,000	30,000	15,000	155,000	110,000	30,000	22,500	162,500
Karl-Heinz Streibich	110,000	36,667	16,500	163,167	101,852	27,778	18,000	147,630
Total	**770,000**	**263,333**	**154,500**	**1,187,833**	**757,778**	**207,778**	**151,500**	**1,117,056**

[1] In their capacity as Managing Board members of Siemens AG, Dr. Roland Busch, Michael Sen and Prof. Dr. Ralf P. Thomas have waived compensation for their Supervisory Board membership at Siemens Healthineers AG.

[2] With effect from the end of the Annual Shareholders' Meeting of February 12, 2020, Dr. Roland Busch was appointed to the Supervisory Board to succeed Mr. Michael Sen, who stepped down from the Board on the same date.

Other

Siemens AG provides a group insurance policy for Supervisory and Managing Board members of Siemens AG and certain other board members and employees of the Siemens Group, including Siemens Healthineers AG and its subsidiaries. The policy is taken out for one year at a time or renewed annually. The related costs are charged by Siemens to Siemens Healthineers. The insurance covers the personal liability of the insured persons in cases of financial loss associated with their activities on behalf of the Siemens Group. The insurance policy for fiscal year 2020 includes a deductible for the members of the Managing Board and the Supervisory Board that complies with the terms of the German Stock Corporation Act and the 2017 version of the GCGC. In line with the new version of the GCGC, as of fiscal year 2021 the insurance policy no longer includes a deductible for Supervisory Board members.

A.9 Takeover-relevant information and explanatory report (pursuant to Sections 289a and 315a German Commercial Code)

A.9.1 Composition of issued capital

As of September 30, 2020, Siemens Healthineers AG's issued capital totaled €1,075,000,000. The issued capital is divided into 1,075,000,000 ordinary registered shares with no par value ("auf den Namen lautende Stückaktien"), each of which is notionally equal to €1 in value. The shares are fully paid in. All shares confer the same rights and obligations. Details of the shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act, in particular by Sections 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

A.9.2 Restrictions on voting rights or transfer of shares

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

Stock programs are in place under which certain employees are or will be granted Siemens Healthineers AG shares. These stock programs were continued in fiscal year 2020. Such shares are not subject to any block on sale, except as provided under local law.

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

A.9.3 Legislation and provisions of the articles of association applicable to the appointment and removal of members of the Managing Board and governing the amendment to the articles of association

The appointment and removal of members of the Managing Board is subject to the provisions of Sections 84 and 85 of the German Stock Corporation Act. In accordance with Article 5 (1) of the articles of association, the Managing Board comprises several persons. Their exact number is determined by the Supervisory Board.

Pursuant to Section 179 of the German Stock Corporation Act, any amendment to the articles of association is subject to a resolution of the Shareholders' Meeting. The authority to adopt nonsubstantive editorial amendments to the articles of association was transferred to the Supervisory Board under Article 9 (4) of those articles. In addition, by resolutions of the Shareholders' Meeting, the Supervisory Board has been authorized to amend Article 4 of the articles of association accordingly as the authorized and contingent capital is utilized, and also after the expiration of the applicable authorization or utilization period in each case.

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

A.9.4 Powers of the Managing Board to issue and repurchase shares

Based on a resolution of Siemens Healthineers AG's extraordinary Shareholders' Meeting held on February 19, 2018, the Managing Board was authorized, subject to the Supervisory Board's consent, to increase Siemens Healthineers AG's issued capital on one or more occasions until February 18, 2023, by up to €500 million by issuing up to 500,000,000 new ordinary registered shares with no par value in return for cash and/or contributions in kind. As of September 30, 2020, Siemens Healthineers AG has made use of the aforementioned authorized capital in the amount of €75 million. Consequently, as of 30 September 2020, subject to the Supervisory Board's consent, the Managing Board was authorized to increase Siemens Healthineers AG's issued capital by up to €425 million on one or more occasions until February 18, 2023, by issuing up to 425,000,000 new ordinary registered shares with no par value in return for cash and/or contributions in kind (Authorized Capital 2018).

On February 19, 2018, Siemens Healthineers AG's extraordinary Shareholders' Meeting resolved to create contingent capital. Siemens Healthineers AG's issued capital was conditionally increased by up to €100 million by issuance of up to 100,000,000 new ordinary registered shares with no par value (Contingent Capital 2018). A capital increase utilizing Contingent Capital 2018 may be implemented only to grant shares in cases where, by February 18, 2023, holders and/or creditors of convertible bonds or of option warrants from option bonds issued by Siemens Healthineers AG or a controlled entity exercise their conversion/option rights, or perform their conversion/option obligations, or if shares are delivered, and only if other forms of performance are not used.

The Managing Board is authorized to issue bearer or registered bonds in an aggregate principal amount of up to €6.0 billion with conversion or option rights attached, or a combination of these instruments, entitling the holders/creditors to subscribe for up to 100,000,000 new ordinary registered shares with no par value of Siemens Healthineers AG. As of September 30, 2020, Siemens Healthineers AG had not made use of the ability to issue bonds under this authorization.

The new shares under the Authorized Capital 2018 and the bonds under the aforementioned authorization are to be issued in return for contributions in cash or in kind. They are normally to be offered to shareholders for subscription. Subject to the approval of the Supervisory Board, the Managing Board is authorized to exclude shareholders' preemptive rights in the event of contributions in kind. In the event of capital increases in return for contributions in cash, the Managing Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' preemptive rights in the following cases:

- The issue price of the new shares/bonds is not significantly lower than the stock market price of Siemens Healthineers AG shares already listed or the theoretical market price of the bonds computed in accordance with generally accepted actuarial methods (exclusion of preemptive rights limited to 10% of the issued capital in accordance with or under corresponding application of Section 186 (3) sentence 4 of the German Stock Corporation Act).
- The exclusion is necessary for fractional amounts resulting from the subscription ratio
- The exclusion is required in order to compensate holders of conversion or option bonds for the effects of dilution.

In the event of a capital increase from the Authorized Capital 2018 in return for a contribution in cash, preemptive rights may be excluded with the approval of the Supervisory Board if the new shares are offered exclusively to employees of Siemens Healthineers AG and any of its subsidiaries (employee shares). To the extent permitted by law, such employee shares may also be issued by effecting the contribution with those parts of net income which the Managing Board and the Supervisory Board may transfer to retained earnings in accordance with Section 58 (2) of the German Stock Corporation Act.

With the approval of the Supervisory Board, the Managing Board of Siemens Healthineers AG resolved on September 2, 2020, to increase the issued capital of Siemens Healthineers AG by €75,000,000 (from €1,000,000,000 to €1,075,000,000) through partial utilization of Siemens Healthineers AG's authorized capital and to exclude shareholders' preemptive rights. The 75,000,000 new ordinary registered shares with no par value were placed with institutional investors in an accelerated bookbuilding offering entitled to applicable dividends retroactive to October 1, 2019. This capital increase took effect upon entry in the Commercial Register on September 3, 2020.

Siemens Healthineers AG cannot repurchase its own shares unless authorized to do so by a resolution of the Shareholders' Meeting or under the limited circumstances explicitly set forth in the German Stock Corporation Act. On February 19, 2018, an extraordinary Shareholders' Meeting authorized the Managing Board to repurchase Siemens Healthineers AG shares until February 18, 2023, for any permissible purpose, up to a limit of 10% of its issued capital as of the date of the resolution or as of the date on which the authorization is exercised, if the latter value is lower. The aggregate of Siemens Healthineers AG shares repurchased under this authorization and any other of Siemens Healthineers AG shares previously acquired and still held in treasury by it or attributable to it pursuant to Sections 71d and 71e of the German Stock Corporation Act may at no time exceed 10% of the issued capital then in existence. Any repurchase of Siemens Healthineers AG shares is to be accomplished at the discretion of the Managing Board, either by acquisition in the stock market or through a public share repurchase offer.

In addition to selling them on the stock exchange or through a public sales offer to all shareholders, the Managing Board was also authorized by resolution of the extraordinary Shareholders' Meeting on February 19, 2018, to use the Siemens Healthineers AG shares repurchased on the basis of this authorization for any permissible purpose. Such shares may in particular be

- canceled,
- used in connection with share-based payment programs and/or employee share programs of Siemens Healthineers AG or any of its affiliated companies and issued to individuals currently or formerly employed by Siemens Healthineers AG or any of its affiliated companies, as well as to board members of any of Siemens Healthineers AG's affiliated companies,
- offered and transferred, subject to the approval of the Supervisory Board, to third parties in return for contributions in kind,
- sold, subject to the approval of the Supervisory Board, in return for payment in cash if the price at which such Siemens Healthineers AG shares are sold is not significantly lower than the market price of Siemens Healthineers AG shares (exclusion of preemptive rights limited to 10% of the issued capital under a mutatis mutandis application of Section 186 (3) sentence 4 of the German Stock Corporation Act) or
- used to service or secure obligations or rights to acquire Siemens Healthineers AG shares arising particularly from or in connection with convertible bonds or warrant bonds issued by Siemens Healthineers AG or any of its affiliated companies (exclusion of preemptive rights limited to 10% of the issued capital under corresponding application of Section 186 (3) sentence 4 of the German Stock Corporation Act).

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

Four share buybacks have been carried out on the basis of the authorization given by the extraordinary Shareholders' Meeting on February 19, 2018. In September 2020, the Managing Board of Siemens Healthineers AG approved a share buyback lasting until February 5, 2021, with a volume of up to €160 million and a maximum of 6,400,000 ordinary shares. The buyback commenced on October 7, 2020. In September 2019, Siemens Healthineers AG had announced that it would carry out a share buyback with a volume of up to €70 million in the time period until January 31, 2020. The buyback commenced on September 24, 2019. Under this share buyback, which ended on January 31, 2020, Siemens Healthineers AG repurchased 1,791,916 shares. The total consideration paid for these shares amounted to €70 million (excluding incidental transaction charges). In addition, Siemens Healthineers AG repurchased 1,205,012 shares in fiscal year 2019 for a total consideration of €45 million (excluding incidental transaction charges).

The primary purpose of the buybacks is the issuance of shares to Siemens Healthineers employees and certain board members of the Siemens Healthineers Group, particularly under stock programs. To the extent that the repurchased shares are not required for that purpose, they may be used for other purposes permitted by law. As of September 30, 2020, Siemens Healthineers AG held 898,249 ordinary shares in treasury.

A.9.5 Significant agreements which take effect, alter or terminate upon a change of control of Siemens Healthineers AG following a takeover bid

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

Treasury and financing agreements

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

In 2016, a U.S. subsidiary of Siemens Healthineers AG, as borrower, entered into a bilateral framework loan agreement with a subsidiary of Siemens AG, as lender, in the amount of US$6.0 billion. Four individual loan agreements totaling US$4.3 billion have been drawn upon under this framework. Each agreement provides the lender with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. In fiscal year 2019, Siemens Healthineers AG assumed two tranches for a total of US$1.6 billion under the above individual loan agreements. A German subsidiary of Siemens Healthineers AG assumed a tranche of US$1.7 billion. Furthermore, Siemens Healthcare GmbH, as borrower, maintains a multicurrency revolving credit facility with Siemens AG, as lender, in the amount of €1.1 billion to serve as working capital and as a short-term loan facility, as well as a multicurrency revolving loan facility in the amount of €1.0 billion which provides funding for backup purposes. The agreement covering the aforementioned two facilities provides Siemens AG with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. For the acquisition of Corindus Vascular Robotics, Inc. in fiscal year 2020, a loan agreement was concluded between Siemens AG, as lender, and Siemens Healthcare GmbH, as borrower, in the amount of €1.0 billion and with a term until September 30, 2021. The loan agreement provides that the lender may call in the loan in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. In connection with the planned acquisition of Varian Medical Systems, Inc., Siemens Finance B.V., as lender, provided Siemens Healthineers AG, as borrower, with a bridge facility in fiscal year 2020 with a term of 24 months to finance the purchase price and cover other costs and outlays. On the reporting date the bridge facility had a volume of €12.5 billion. Outside what is termed the 'certain funds period,' the bridging facility provides that the lender may call in the loan in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights.

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

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

Further agreements

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

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

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

A.9.6 Other takeover-relevant information

We are not aware, nor were we notified during the last fiscal year, of any shareholder (directly or indirectly) holding interests in Siemens Healthineers AG's issued capital that entitle it to 10% or more of the voting rights except for Siemens AG, with its registered seat in Berlin and Munich, Germany, which directly and indirectly held 850,000,000 shares (equaling 79% of all shares), carrying 850,000,000 voting rights. There are no shares with special rights conferring powers of control. Shares granted by Siemens Healthineers AG or its subsidiaries to employees under their employee stock programs and/or as share-based compensation are transferred directly to the employees. The beneficiary employees may directly exercise their shareholder rights resulting from the employee shares in the same way as any other shareholder, in accordance with applicable laws and the articles of association.

B. Consolidated financial statements

B.1 Consolidated statements of income

(in millions of €, earnings per share in €)	Note	Fiscal year 2020	Fiscal year 2019
Revenue	29, 30	14,460	14,518
Cost of sales		−8,880	−8,722
Gross profit		**5,580**	**5,796**
Research and development expenses		−1,342	−1,328
Selling and general administrative expenses		−2,279	−2,214
Other operating income	4	47	65
Other operating expenses		−28	−23
Income from investments accounted for using the equity method, net		3	3
Earnings before interest and taxes		**1,982**	**2,300**
Interest income	5	53	38
Interest expenses	16, 21, 25	−76	−123
Other financial income, net	16, 25	−5	−22
Income before income taxes		**1,954**	**2,193**
Income tax expenses	5	−532	−607
Net income		**1,423**	**1,586**
Thereof attributable to:			
Non-controlling interests		12	18
Shareholders of Siemens Healthineers AG		1,411	1,567
Basic earnings per share	**6**	**1.41**	**1.57**
Diluted earnings per share	**6**	**1.40**	**1.57**

B.2 Consolidated statements of comprehensive income

(in millions of €)	Note	Fiscal year 2020	2019
Net income		**1,423**	1,586
Remeasurements of defined benefit plans	21	−5	−122
Therein: Income tax effects		3	55
Equity instruments measured at fair value through other comprehensive income	25	–	1
Therein: Income tax effects		–	–
Other comprehensive income that will not be reclassified to profit or loss		**−5**	−121
Currency translation differences		−768	398
Cash flow hedges	25	61	−26
Therein: Income tax effects		−22	11
Cost/Income from hedging	25	114	3
Therein: Income tax effects		−40	−1
Other comprehensive income that may be reclassified subsequently to profit or loss		**−593**	375
Other comprehensive income, net of taxes		**−598**	254
Comprehensive income		**825**	1,840
Thereof attributable to:			
Non-controlling interests		11	16
Shareholders of Siemens Healthineers AG		814	1,824

B.3 Consolidated statements of financial position

(in millions of €)	Note	Sept 30, 2020	Sept 30, 2019
Cash and cash equivalents	25	656	920
Trade and other receivables	7, 25	2,568	2,779
Other current financial assets	8, 25	142	78
Receivables from Siemens Group	16, 25, 31	3,392	686
Contract assets	9	818	839
Inventories	10	2,304	2,064
Current income tax assets	5	49	92
Other current assets	11	338	321
Total current assets		**10,268**	**7,779**
Goodwill	12	9,038	8,590
Other intangible assets	13	1,912	1,576
Property, plant and equipment	13	2,774	2,318
Investments accounted for using the equity method		37	45
Other financial assets	14, 25	352	339
Deferred tax assets	5	419	462
Other assets	15	295	320
Total non-current assets		**14,827**	**13,650**
Total assets		**25,094**	**21,429**
Short-term financial debt and current maturities of long-term financial debt	16, 25	167	80
Trade payables	25	1,356	1,403
Other current financial liabilities	25	93	152
Payables to Siemens Group	16, 25, 31	2,046	364
Contract liabilities	18	1,784	1,741
Current provisions	19	270	282
Current income tax liabilities	5	374	346
Other current liabilities	20	1,198	1,236
Total current liabilities		**7,289**	**5,605**
Long-term financial debt	16, 25	314	62
Provisions for pensions and similar obligations	21	1,029	1,045
Deferred tax liabilities	5	470	375
Provisions	19	144	147
Other financial liabilities	25	10	16
Other liabilities	22	345	368
Other liabilities to Siemens Group	16, 25, 31	2,982	4,030
Total non-current liabilities		**5,294**	**6,043**
Total liabilities		**12,584**	**11,648**
Issued capital		1,075	1,000
Capital reserve		13,476	10,801
Retained earnings		−1,276	−1,859
Other components of equity		−777	−174
Total equity attributable to shareholders of Siemens Healthineers AG	23	**12,498**	**9,769**
Non-controlling interests		13	13
Total equity		**12,511**	**9,782**
Total liabilities and equity		**25,094**	**21,429**

B.4 Consolidated statements of cash flows

	Fiscal year	
(in millions of €)	2020	2019
Net income	**1,423**	1,586
Adjustments to reconcile net income to cash flows from operating activities:		
Amortization, depreciation and impairments	815	620
Income tax expenses	532	607
Interest income/expenses, net	23	85
Income related to investing activities	−10	−7
Other non-cash income/expenses, net	117	10
Change in operating net working capital		
Contract assets	−13	−220
Inventories	−332	−124
Trade and other receivables	66	−265
Trade payables	1	90
Contract liabilities	130	178
Change in other assets and liabilities	−40	−140
Additions to equipment leased to others in operating leases	−301	−345
Income taxes paid	−512	−493
Dividends received	5	7
Interest received	26	27
Cash flows from operating activities	**1,928**	1,617
Additions to intangible assets and property, plant and equipment	−557	−579
Purchase of investments and financial assets for investment purposes	−6	−6
Acquisitions of businesses, net of cash acquired	−1,354	−76
Disposal of investments, intangible assets and property, plant and equipment	5	6
Disposal of businesses, net of cash disposed	–	7
Cash flows from investing activities	**−1,912**	−647
Purchase of treasury shares	−67	−51
Issuance of new shares	2,709	–
Change in short-term financial debt and other financing activities	−101	52
Interest paid	−18	−6
Dividends paid to shareholders of Siemens Healthineers AG	−798	−699
Dividends paid to non-controlling interests	−16	−15
Equity transactions with non-controlling interests	–	−15
Interest paid to Siemens Group	−105	−113
Other transactions/financing with Siemens Group	−1,853	245
Cash flows from financing activities	**−249**	−603
Effect of changes in exchange rates on cash and cash equivalents	−31	35
Change in cash and cash equivalents	−264	401
Cash and cash equivalents at beginning of period	**920**	519
Cash and cash equivalents at end of period	**656**	920

B.5 Consolidated statements of changes in equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings	Other components of equity				Treasury shares at cost	Total equity attributable to shareholders of Siemens Healthineers AG	Non-controlling interests	Total equity
				Currency translation differences	Reserve of equity instruments measured at fair value through other comprehensive income	Cash flow hedges reserve	Cost of hedging reserve				
Balance as of September 30, 2018	1,000	11,174	−3,019	−493	1	2	–	−10	8,656	20	**8,675**
Effect of retrospectively adopting IFRS 9, Financial Instruments	–	–	39	–	−35	–	–	–	4	–	4
Balance as of October 1, 2018	**1,000**	**11,174**	**−2,980**	**−493**	**−34**	**2**	**–**	**−10**	**8,659**	**20**	**8,679**
Net income	–	–	1,567	–	–	–	–	–	1,567	18	1,586
Other comprehensive income, net of taxes	–	–	−120	398	1	−26	3	–	256	−2	254
Dividends	–	–	−699	–	–	–	–	–	−699	−15	−714
Share-based payment	–	17	−1	–	–	–	–	–	16	–	16
Purchase of treasury shares	–	–	–	–	–	–	–	−54	−54	–	−54
Reissuance of treasury shares	–	–	−2	–	–	–	–	39	37	–	37
Other changes in equity	–	−390	376	–	–	–	–	–	−14	−8	−22
Balance as of September 30, 2019	1,000	10,801	−1,859	−95	−33	−24	3	−24	9,769	13	**9,782**
Balance as of October 1, 2019 [1]	1,000	10,801	−1,859	−95	−33	−24	3	−24	9,769	13	**9,782**
Net income	–	–	1,411	–	–	–	–	–	1,411	12	1,423
Other comprehensive income, net of taxes	–	–	−5	−767	–	61	114	–	−597	−1	−598
Dividends	–	–	−798	–	–	–	–	–	−798	−16	−814
Share-based payment	–	45	–	–	–	–	–	–	45	–	45
Purchase of treasury shares	–	–	–	–	–	–	–	−64	−64	–	−64
Reissuance of treasury shares	–	2	−1	–	–	–	–	52	52	–	52
Issuance of new shares	75	2,629	–	–	–	–	–	–	2,704	–	2,704
Other changes in equity	–	–	−24	–	–	–	–	–	−24	5	−19
Balance as of September 30, 2020	1,075	13,476	−1,276	−862	−33	37	117	−36	12,498	13	**12,511**

[1] The balance as of September 30, 2019 corresponds to the balance as of October 1, 2019. The first-time adoption of IFRS 16, Leases, does not lead to a change in the reported amounts, please refer to → ***Note 2 Accounting policies*** in the notes to the consolidated financial statements.

B.6 Notes to consolidated financial statements

Note 1 Basis of presentation

The consolidated financial statements as of September 30, 2020, present the operations of Siemens Healthineers AG, registered in Munich (Munich Local Court, commercial register number HRB 237558), Germany, and its subsidiaries (hereinafter, collectively, "Group" or "Siemens Healthineers"). They have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), as well as with the additional requirements set forth in Section 315e (1) of the German Commercial Code ("Handelsgesetzbuch"). The consolidated financial statements are in accordance with IFRS as issued by the International Accounting Standards Board (IASB). On November 19, 2020, the Managing Board of Siemens Healthineers AG authorized the consolidated financial statements for issue.

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

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

Note 2 Accounting policies

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

Accounting estimates and judgments

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

The COVID-19 pandemic and associated significant uncertainties have been considered, where relevant, in accounting estimates and judgments. In fiscal year 2020, the COVID-19 pandemic did not lead to material adjustments to the carrying amounts of recognized assets and liabilities. For further information on impacts from the COVID-19 pandemic, see disclosures in the respective notes to the consolidated financial statements and in the group management report.

Basis of consolidation

The consolidated financial statements include the accounts of Siemens Healthineers AG and the subsidiaries, which are controlled. The Group controls an investee if it has power over it. In addition, Siemens Healthineers must be exposed, or must have rights, to variable returns from the involvement with the investee and must have the ability to use its power over the investee to affect the amount of Siemens Healthineers' returns.

Business combinations

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

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

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

Foreign currency translation

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

Foreign currency transactions

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

Revenue recognition

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

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

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

Contract assets, contract liabilities, receivables: When either party to a contract with a customer has performed its contractual obligations, Siemens Healthineers presents a contract asset or a contract liability depending on the relationship between Siemens Healthineers' performance and the customer's payment. Contract assets primarily relate to the sale of goods for which transfer of control occurs before Siemens Healthineers has an unconditional right to consideration. Contract liabilities result mainly from customer advances on services and from prepayments for goods not yet shipped. Contract assets and contract liabilities are presented net at the contract level and as current because they arise in the course of the regular operating cycle. Receivables are recognized when the right to consideration becomes unconditional. Valuation allowances for credit risks are set up for contract assets and receivables according to the accounting policy for financial assets measured at amortized cost.

Functional costs

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

Research and development expenses

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

Income taxes

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

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

Earnings per share

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

Inventories

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

Goodwill

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

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

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

Other intangible assets

Siemens Healthineers amortizes purchased intangible assets with finite useful life on a straight-line basis over their respective estimated useful life. The estimated useful life of patents, licenses and other similar rights generally ranges from three to five years. In addition, there are intangible assets acquired in business combinations, especially customer relationships, trademarks and technologies. For customer relationships and trademarks, the useful life ranges from five to 20 years; for technologies, from two to 15 years.

Property, plant and equipment

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

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

Impairment of other intangible assets and property, plant and equipment

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

Leases

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

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

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

Until September 30, 2019, IAS 17 and IFRIC 4 were applied. Lessee accounting distinguished between finance leases and operating leases. Finance leases were accounted for largely comparable to the right-of-use model currently applied for lessee accounting. Operating leases were reported off balance sheet and the lease payments were expensed over the lease term.

Provisions

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

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

Defined benefit plans

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

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

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

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

Termination benefits

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

Financial instruments

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

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

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

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

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

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

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

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

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

Share-based payment

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

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

Prior-year information

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

Recently adopted accounting pronouncements

IFRS 16, Leases, was adopted for the first time as of October 1, 2019, by applying the modified retrospective approach (using practical and transitional expedients), that is, comparative figures for the preceding year were not adjusted. At date of initial application, it was not reassessed, whether an existing contract was or included a lease. IFRS 16 introduced a single lessee accounting model (so-called right-of-use model), requiring lessees to recognize right-of-use assets and lease liabilities. The recognition exemptions for not applying the right-of-use model for leases with a term of twelve months or less or for low-value assets have been exercised. The majority of the transition effect was related to real estate leased by Siemens Healthineers. As of October 1, 2019, additional right-of-use assets of €435 million were recognized in property, plant and equipment, generally measured at the amount of the lease liability adjusted by any prepaid or accrued lease payments. In addition, the right-of-use asset was derecognized if the leased asset was subleased under a finance lease to customers. The transition to IFRS 16 had nearly no effect on retained earnings. In fiscal year 2020, the initial application resulted in an improvement in cash flows from operating activities of €130 million with a corresponding decrease in cash flows from financing activities and a corresponding increase in free cash flow. Future payment obligations under operating leases as of September 30, 2019 reconcile to the lease liability as of October 1, 2019, as follows:

(in millions of €)	
Future minimum lease payments from operating leases as of September 30, 2019 (gross)	**475**
Future minimum lease payments from finance leases as of September 30, 2019 (gross)	34
Practical relief for non-separation of lease components and non-lease components	7
Recognition exemption for low value assets: Former finance leases which lead to off balance sheet reporting	−19
Others	−3
Future minimum lease payments from leases under the right-of-use model as of October 1, 2019 (gross)	**494**
Discounted using incremental borrowing rates (weighted average incremental borrowing rate as of October 1, 2019: 1.9%)	−24
Lease liabilities as of October 1, 2019 (therein current: €132 million)	**470**

The lease liabilities as of October 1, 2019, amounting to €470 million, exceeded by €438 million the lease liabilities from finance leases as of September 30, 2019, which amounted to €32 million.

Recent accounting pronouncements, not yet adopted

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

Note 3 Acquisitions

Acquisition of Corindus

On October 29, 2019, Siemens Healthineers completed the acquisition of all shares in Corindus Vascular Robotics, Inc. (hereinafter "Corindus"). Corindus develops and provides a robotic-assisted platform for endovascular coronary and peripheral vascular interventions. By combining Siemens Healthineers' cardiovascular and neurointerventional therapy systems with Corindus' innovative technology, Siemens Healthineers is able to drive optimization of procedures for image-based minimally invasive therapies. The business has been integrated into the Advanced Therapies segment.

The purchase price amounted to US$ 1.1 billion (€ 1.0 billion as of the acquisition date) and was paid in cash. The purchase price allocation as of the acquisition date resulted in the following assets and liabilities:

(in millions of €)	
Cash and cash equivalents	13
Goodwill	751
Other intangible assets	306
Miscellaneous assets	7
Total assets	**1,077**
Other current financial liabilities	25
Long-term financial debt	8
Deferred tax liabilities	35
Miscellaneous liabilities	11
Total liabilities	**80**

The goodwill of € 751 million comprised intangible assets that were not separable, such as employee know-how and expected synergy effects. Synergies are expected mainly from offering Corindus' products through the Siemens Healthineers' sales network, and also from the combination of Corindus' robotic systems with Siemens Healthineers' therapy systems and solutions in the fields of digitalization and artificial intelligence. The intangible assets of € 306 million particularly include acquired technologies.

With the closing of the acquisition of Corindus, Siemens provided Siemens Healthineers with additional financing of € 1.0 billion in the first quarter of fiscal year 2020.

The acquired business contributed revenue of € 8 million and a net loss of € 48 million to Siemens Healthineers for the period from the acquisition date to September 30, 2020, including earnings effects from purchase price allocation and integration costs. If Corindus had been included in the consolidated financial statements as of October 1, 2019, revenue and net income, including earnings effects from purchase price allocation and integration costs, would have been € 14,461 million and € 1,419 million, respectively, in fiscal year 2020.

Acquisition of ECG

On November 1, 2019, Siemens Healthineers completed the acquisition of 75 % of the ownership interest of ECG Management Consultants (hereinafter "ECG"). ECG is a leading consulting company based in the United States specialized in healthcare and providing a comprehensive suite of advisory services for meeting the strategic, financial, operational and technology-related challenges facing healthcare providers today. The business is part of the Imaging segment and allows Siemens Healthineers to tap into adjacent growth markets.

The purchase price paid in cash amounted to US$ 219 million (€ 196 million as of the acquisition date), including subsequent adjustments. In addition, Siemens Healthineers redeemed financial liabilities of ECG amounting to US$ 143 million (€ 129 million as of the acquisition date). The purchase price allocation as of the acquisition date resulted in the following assets and liabilities:

(in millions of €)	
Cash and cash equivalents	25
Trade and other receivables	33
Goodwill	200
Other intangible assets	112
Miscellaneous assets	18
Total assets	**388**
Short-term financial debt	132
Other current liabilities	33
Deferred tax liabilities	13
Miscellaneous liabilities	11
Total liabilities	**189**
Non-controlling interests	*3*

The goodwill of € 200 million comprised intangible assets that were not separable, such as employee know-how and expected synergy effects. Thereof, € 99 million are expected to be deductible for tax purposes. Some employees are covered by a non-compete agreement, which was classified as a separate transaction and recognized as an intangible asset measured at € 19 million. The non-controlling interests of 25 % were measured with the corresponding proportion of the amount of the acquired net assets.

In August 2020, Siemens Healthineers entered into an agreement to acquire all shares of Varian Medical Systems, Inc. (hereinafter "Varian") for an expected purchase price of US$ 16.4 billion (€ 14.0 billion as of September 30, 2020). The acquisition was approved by the Varian shareholders on October 15, 2020. The closing of the acquisition of Varian is subject to regulatory approvals and other customary closing conditions and is expected to be completed in the first half of calendar year 2021.

Note 4 Other operating income

In fiscal year 2020, an amount of €34 million is reported in other operating income in the United States in connection with the CARES Act to mitigate the financial impact of the COVID-19 pandemic. In fiscal year 2019, Siemens Healthineers realized other operating income of €24 million due to settlement gains.

Note 5 Income taxes

Income taxes broke down as follows:

(in millions of €)	Fiscal year 2020	Fiscal year 2019
Current tax	493	600
Deferred tax	39	7
Income tax expenses recognized in the consolidated statements of income	**532**	607
Effective tax rate	27.2%	27.7%
Income tax effects recognized in other comprehensive income or directly in equity	59	–64
Total income taxes included in the consolidated statements of comprehensive income or directly recognized in equity	**591**	543

In fiscal year 2020, the current taxes included expenses of €9 million (2019: €7 million) for adjustments of taxes from prior fiscal years. The deferred taxes included expenses of €45 million (2019: €50 million) from the origination and reversal of temporary differences. Various one-time circumstances, such as the assessment of the deferred tax assets on loss carry-forwards and the adjustment of the outside basis differences to a reduced withholding tax rate on distributions of a company, had a small overall positive effect on the effective tax rate for fiscal year 2020. In fiscal year 2019, the effective tax rate was positively influenced by different effects, for example the settlement of international proceedings on the avoidance of double taxation as well as tax-free income following international changes in jurisdiction. In fiscal year 2020, interest on tax receivables in the amount of €19 million, relating to these proceedings, was recognized as interest income.

In fiscal year 2020, the calculation of taxes in Germany was based on a combined tax rate of 29.2% (2019: 29.5%), consisting of the corporate tax rate of 15.0% (2019: 15.0%), the solidarity surcharge thereon of 5.5% (2019: 5.5%) and an average trade tax rate of 13.4% (2019: 13.7%). For foreign subsidiaries, taxes were calculated based on local tax law and applicable tax rates in the individual countries.

In fiscal year 2020, income tax expenses differed from the expected income tax expenses based on the combined German tax rate of 29.2% (2019: 29.5%) as follows:

(in millions of €)	Fiscal year 2020	Fiscal year 2019
Expected income tax expenses	571	648
Nondeductible expenses	69	98
Tax-free income	–46	–56
Taxes for prior years	24	–5
Change in realizability of deferred tax assets and tax credits	–5	–12
Change in tax rates	–19	3
Foreign tax rate differential	–62	–71
Other	–	2
Total income tax expenses	**532**	607

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

(in millions of €)	Sept 30, 2020	Sept 30, 2019
Deferred taxes on temporary differences	–243	–76
Thereof:		
Current assets and liabilities	206	232
Intangible assets	–757	–680
Provisions for pensions and similar obligations	300	312
Other non-current assets and liabilities	8	60
Deferred taxes on tax loss carryforwards	156	132
Deferred taxes on tax credits	36	31
Total deferred tax assets and liabilities, net	**–51**	87

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

(in millions of €)	Fiscal year 2020	Fiscal year 2019
Balance at beginning of fiscal year	**87**	46
Changes recognized in the consolidated statements of income	–39	–7
Changes recognized in other comprehensive income	–59	64
Additions from acquisitions directly recognized in equity	–49	–4
Other	9	–12
Balance at fiscal year-end	**–51**	87

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

	Sept 30,	
(in millions of €)	2020	2019
Deductible temporary differences	131	187
Tax loss carryforwards	305	274
Total items (gross amounts) for which no deferred tax assets have been recognized	**436**	**461**

€ 138 million of the tax loss carryforwards not recognized as of September 30, 2020 will expire in the periods up to 2028 (September 30, 2019: € 89 million expiring by 2037). As of September 30, 2020, no deferred tax liabilities were recognized for temporary differences in connection with shares in subsidiaries amounting to € 3,412 million (September 30, 2019: € 3,228 million), as Siemens Healthineers can control their reversal and it is probable that these differences will not dissolve in the foreseeable future. As of September 30, 2020, deferred tax liabilities of € 21 million (September 30, 2019: € 18 million) were recognized for planned dividend payments.

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

Note 6 Earnings per share

	Fiscal year	
(in millions of €, number of shares in thousands, earnings per share in €)	2020	2019
Net income	1,423	1,586
Portion attributable to non-controlling interests	−12	−18
Net income attributable to shareholders of Siemens Healthineers AG	1,411	1,567
Weighted average shares outstanding during fiscal year (basic)	1,001,859	999,245
Effect of dilutive share-based payment	2,211	893
Weighted average shares outstanding during fiscal year (diluted)	1,004,070	1,000,138
Basic earnings per share	**1.41**	**1.57**
Diluted earnings per share	**1.40**	**1.57**

Note 7 Trade and other receivables

	Sept 30,		
(in millions of €)	2020	2019	Oct 1, 2018
Receivables from the sale of goods and services	2,520	2,744	2,388
Receivables from finance leases	48	35	31
Total trade and other receivables	**2,568**	**2,779**	**2,419**

Receivables from finance leases particularly related to the leasing of imaging equipment in the Imaging segment. The corresponding long-term portion is reported in the line item other financial assets and amounted to € 162 million as of the reporting date (September 30, 2019: € 144 million).

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

	Sept 30,	
(in millions of €)	2020	2019
Future minimum lease payments	258	225
Unearned finance income	−42	−40
Net investment in finance leases	**215**	**185**

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

	Sept 30,	
(in millions of €)	2020	2019
Within 1 year	58	45
Between 1 and 2 years	42	38
Between 2 and 3 years	37	37
Between 3 and 4 years	32	29
Between 4 and 5 years	28	25
More than 5 years	60	53
Total	**258**	**225**

Note 8 Other current financial assets

	Sept 30,	
(in millions of €)	2020	2019
Receivables from employees	27	27
Derivatives	84	22
Other	31	28
Total other current financial assets	**142**	78

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

Note 9 Contract assets

As of the reporting date, contract assets amounted to €818 million (September 30, 2019: €839 million; October 1, 2018: €600 million). Thereof, contract assets amounting to €132 million (September 30, 2019: €128 million) had a remaining term of more than twelve months. The change in contract assets in fiscal year 2019 primarily related to the Imaging segment, with an increase by €153 million, and resulted mainly from an increase in deliveries of imaging equipment for which control had already been transferred to the customer but for which the unconditional right to consideration was still dependent on the rendering of services outstanding as of the reporting date.

Note 10 Inventories

	Sept 30,	
(in millions of €)	2020	2019
Raw materials and supplies	566	500
Work in progress	609	565
Finished goods and products held for resale	1,099	981
Advances to suppliers	31	19
Total inventories	**2,304**	2,064

In fiscal year 2020, cost of sales included inventories recognized as expenses in the amount of €8,698 million (2019: €8,503 million). Write-offs of inventories increased by €11 million (2019: €35 million) compared to the prior year.

Note 11 Other current assets

	Sept 30,	
(in millions of €)	2020	2019
Miscellaneous tax receivables	226	253
Prepaid expenses	85	56
Other	27	12
Total other current assets	**338**	321

As of September 30, 2020, miscellaneous tax receivables mainly consisted of sales tax receivables amounting to €217 million (September 30, 2019: €246 million).

Note 12 Goodwill

	Fiscal year	
(in millions of €)	2020	2019
Cost		
Balance at beginning of fiscal year	9,906	9,433
Currency translation differences and other	−573	416
Acquisitions and purchase accounting adjustments	951	57
Balance at fiscal year-end	10,285	9,906
Accumulated impairment losses		
Balance at beginning of fiscal year	−1,316	−1,257
Currency translation differences	69	−59
Balance at fiscal year-end	−1,247	−1,316
Carrying amount		
Balance at beginning of fiscal year	8,590	8,176
Balance at fiscal year-end	9,038	8,590

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

	Goodwill		Terminal value growth rate		After-tax discount rate	
	Sept 30,		Sept 30,		Sept 30,	
(in millions of €)	2020	2019	2020	2019	2020	2019
Imaging	5,827	5,951	1.7 %	1.7 %	7.0 %	6.5 %
Diagnostics	1,624	1,714	1.7 %	1.7 %	6.5 %	7.0 %
Advanced Therapies	1,587	924	1.7 %	1.7 %	6.5 %	6.5 %
Total goodwill	**9,038**	**8,590**				

Revenue figures in the five-year detailed planning period included average revenue growth rates (excluding portfolio effects) of 6 % to 9 % (2019: 5 % to 8 %).

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

Note 13 Other intangible assets and property, plant and equipment

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

[1] The opening balance sheet values include the adjustments due to the modified retrospective transition to right-of-use model in accordance with IFRS 16, Leases, please refer to → ***Note 2 Accounting policies.***

(in millions of €)	Gross carrying amount at beginning of fiscal year 2019
Internally generated technology	1,452
Acquired technology including patents, licenses and similar rights	499
Customer relationships and trademarks	2,224
Total other intangible assets	**4,175**
Land and buildings	1,117
Technical machinery and equipment	808
Office and other equipment	1,021
Equipment leased to others	1,566
Advances to suppliers and construction in progress	287
Total property, plant and equipment	**4,799**

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

Currency translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Gross carrying amount at end of fiscal year 2019	Accumulated amortization, depreciation and impairments	Carrying amount at end of fiscal year 2019	Amortization, depreciation and impairments in fiscal year 2019
50	–	155	–	−2	1,655	−590	1,065	−111
21	14	41	–	−9	567	−369	198	−35
103	–	–	–	–	2,327	−2,014	313	−117
174	**14**	**197**	**–**	**−11**	**4,549**	**−2,973**	**1,576**	**−263**
38	–	25	57	−16	1,221	−632	589	−34
30	–	30	35	−42	861	−605	256	−49
33	–	132	31	−100	1,117	−800	317	−125
28	–	346	21	−177	1,784	−1,002	782	−149
16	–	216	−144	−1	374	–	374	–
145	**–**	**750**	**–**	**−336**	**5,357**	**−3,039**	**2,318**	**−357**

Siemens Healthineers as lessor

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

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

	Sept 30,	
(in millions of €)	2020	2019
Within 1 year	56	28
Between 1 and 2 years	56	35
Between 2 and 3 years	47	26
Between 3 and 4 years	37	18
Between 4 and 5 years	27	10
More than 5 years	27	13
Total	**250**	130

In fiscal year 2020, revenue from operating leases in the amount of €216 million (2019: €162 million) was realized. Included therein were variable lease payments in the amount of €109 million (2019: €85 million). Before Siemens Healthineers concludes contracts with the customer for the sale of reagents and consumables by providing a diagnostic instrument, the order volumes forecasted by the customer are analyzed and verified. Based on realistic sales volumes, customer-specific prices for reagents are calculated, including a price offset for the diagnostic instrument. The average term of customer contracts covers the ordinary useful life of the diagnostic instruments.

Siemens Healthineers as lessee

The total cash outflows from leases amounted to €190 million in fiscal year 2020.

In fiscal year 2019, total expenses under operating leases amounted to €201 million.

Note 14 Other financial assets

	Sept 30,	
(in millions of €)	2020	2019
Receivables from finance leases	162	144
Derivatives	92	107
Equity instruments and fund shares	75	66
Other	23	21
Total other financial assets	**352**	339

Note 15 Other assets

	Sept 30,	
(in millions of €)	2020	2019
Deferred compensation assets	235	250
Prepaid expenses	46	55
Other	13	15
Total other assets	**295**	320

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

Note 16 Financial debt

	Sept 30,	
(in millions of €)	2020	2019
Short-term financial debt and current maturities of long-term financial debt	167	80
Thereof:		
Loans from banks	60	70
Lease liabilities[1]	107	10
Payables to Siemens Group from financing activities	2,040	359
Therein: Lease liabilities	27	–
Total current financial debt	**2,207**	439
Long-term financial debt	314	62
Thereof:		
Loans from banks	49	39
Lease liabilities[1]	265	22
Other liabilities to Siemens Group from financing activities	2,982	4,030
Therein: Lease liabilities	59	–
Total non-current financial debt	**3,297**	4,092
Total financial debt	**5,503**	4,531

[1] Obligations under finance leases as of September 30, 2019.

As of September 30, 2020, financing arrangements of Siemens Healthineers with Siemens AG consisted of a multi-currency revolving credit facility of up to €1.1 billion (September 30, 2019: €1.0 billion), which serves to finance net working capital and as a short-term loan facility, as well as a multi-currency revolving credit facility of up to €1.0 billion (September 30, 2019: €1.0 billion) as a financing reserve. As of the reporting date, an amount of €166 million (September 30, 2019: €0 million) was drawn from these facilities.

Furthermore, the Siemens Group provided a bridge facility to finance the purchase price and additional costs in connection with the planned acquisition of Varian. As of the reporting date, the financing commitment amounted to €12.5 billion and was not utilized by Siemens Healthineers. Unused available commitment from the bridge facility is subject to a commitment fee. This fee and other fees are recognized in other financial income and amounted to €5 million in fiscal year 2020.

In addition, there were loans with the Siemens Group with various maturities and in various currencies. As of September 30, 2020 and 2019, the loans were mainly denominated in U.S. dollars with approximately US$ 0.9 billion maturing in fiscal year 2021 (contractual interest rate: 1.9%), US$ 0.7 billion maturing in fiscal year 2023 (contractual interest rate: 2.2%), US$ 1.7 billion maturing in fiscal year 2027 (contractual interest rate: 2.5%) and US$ 1.0 billion maturing in fiscal year 2046 (contractual interest rate: 3.4%). In fiscal year 2019, the loans maturing in fiscal years 2021, 2023 and 2027 were transferred from a U.S. entity to German entities. The resulting foreign currency risks were hedged by forward exchange contracts. As a result, the loans were effectively converted into synthetic euro-denominated loans and actual interest expenses decreased due to positive forward elements of the forward exchange contracts. In total, the actual current volume-weighted average interest rate of the transferred loans decreased to approximately –0.1%. For further information about the hedging activities, please refer to → ***Note 25 Financial instruments and hedging activities***.

In fiscal year 2020, Siemens AG provided an additional variable interest loan in connection with the acquisition of Corindus (please also see → ***Note 3 Acquisitions***), amounting to €1.0 billion and maturing in fiscal year 2021.

In fiscal year 2020, interest expenses from financing arrangements with Siemens AG amounted to €21 million (2019: €31 million) and from financing arrangements with other Siemens Group entities to €22 million (2019: €73 million). The decrease in interest expenses resulted mainly from positive effects of the abovementioned loan transfers.

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

(in millions of €)	Balance at beginning of fiscal year 2020[1]	Cash flows from financing activities[2]	Non-cash changes: Acquisitions	Non-cash changes: Currency translation differences	Non-cash changes: Other	Balance at end of fiscal year 2020
Loans from banks	109	19	142	–20	–142	109
Lease liabilities	470	–152	15	–23	148	458
Payables and other liabilities to Siemens Group from financing activities[3]	4,390	777	–	–285	54	4,936
Total financial debt	**4,969**	**645**	**157**	**–328**	**60**	**5,503**
Receivables from Siemens Group from financing activities	–683	–2,599	–	11	–	–3,271
Total liabilities from financing activities	**4,286**	**–1,954**	**157**	**–317**	**60**	**2,232**

[1] Including effects from the modified retrospective adoption of IFRS 16, Leases (please also see → ***Note 2 Accounting policies***).
[2] Reported in the following line items of the consolidated statements of cash flows: Change in short-term financial debt and other financing activities and other transactions/financing with Siemens Group.
[3] Excluding separately disclosed lease liabilities.

(in millions of €)	Balance at beginning of fiscal year 2019	Cash flows from financing activities[1]	Non-cash changes: Currency translation differences	Non-cash changes: Other	Balance at end of fiscal year 2019
Loans from banks	48	63	–1	–	109
Obligations under finance leases	26	–9	–	16	33
Payables and other liabilities to Siemens Group from financing activities	4,634	–473	243	–14	4,390
Total financial debt	**4,707**	**–419**	**242**	**1**	**4,531**
Receivables from Siemens Group from financing activities	–1,391	716	–8	–	–683
Total liabilities from financing activities	**3,317**	**297**	**234**	**1**	**3,849**

[1] Reported in the following line items of the consolidated statements of cash flows: Change in short-term financial debt and other financing activities and other transactions/financing with Siemens Group.

Note 17 Additional capital management disclosures

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

	Sept 30,	
(in millions of €)	2020	2019
Short-term financial debt and current maturities of long-term financial debt	167	80
Long-term financial debt	314	62
Payables to Siemens Group from financing activities	2,040	359
Other liabilities to Siemens Group from financing activities	2,982	4,030
Receivables from Siemens Group from financing activities	−3,271	−683
Cash and cash equivalents	−656	−920
Net debt	**1,576**	**2,929**
Provisions for pensions and similar obligations	1,029	1,045
Net debt (including pensions)	**2,605**	**3,974**
Income before income taxes	1,954	2,193
Interest income, interest expenses and other financial income, net	27	107
Amortization, depreciation and impairments	815	620
EBITDA	**2,796**	**2,920**
Net debt (including pensions)/EBITDA	**0.9**	**1.4**

Note 18 Contract liabilities

As of September 30, 2020, contract liabilities amounted to €1,784 million (September 30, 2019: €1,741 million; October 1, 2018: €1,524 million). Included therein were contract liabilities of €451 million (September 30, 2019: €440 million) with a remaining term of more than twelve months. In fiscal year 2020, an amount of €1,059 million (2019: €1,070 million) included in contract liabilities at the beginning of the period was recognized as revenue.

Note 19 Provisions

(in millions of €)	Warranties	Order-related losses and risks	Other	Total
Balance at beginning of fiscal year 2020	**225**	**83**	**122**	**430**
Therein: Non-current	23	63	61	147
Additions	165	19	35	219
Usage	−138	−6	−15	−160
Reversals	−34	−7	−15	−56
Currency translation differences	−8	−9	−7	−23
Other	–	–	3	3
Balance at end of fiscal year 2020	**211**	**80**	**123**	**414**
Therein: Non-current	24	56	64	144

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

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

Note 20 Other current liabilities

	Sept 30,	
(in millions of €)	2020	2019
Wage and salary obligations and other liabilities to employees	561	629
Employee-related accruals	302	268
Miscellaneous tax liabilities	200	192
Other	135	147
Total other current liabilities	**1,198**	**1,236**

The decrease in the line item wage and salary obligations and other liabilities to employees was due mainly to lower obligations for performance-based compensation. Employee-related accruals primarily included accruals for vacation entitlements and share-based payment. As of the reporting date, miscellaneous tax liabilities mainly comprised sales tax liabilities of €157 million (September 30, 2019: €143 million).

Note 21 Provisions for pensions and similar obligations

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

Defined benefit plans

The defined benefit plans cover around 48,000 participants. These are divided into 29,000 active employees for whom current service cost is recognized, 8,000 active and former employees with vested benefits for whom no more current service cost is recognized, and 10,000 retirees and surviving dependents who receive benefits. The defined benefit plans are to a certain extent affected by longevity, inflation and compensation increases and take into account country-specific differences. Major plans are funded with assets in external segregated benefit trusts. In accordance with local laws, these plans are managed in the interest of the beneficiaries through trust agreements with the respective benefit trusts. The defined benefit plans open to new entrants are predominantly based on contributions made by Siemens Healthineers. The majority of the provisions for pensions derives from defined benefit plans in the following four countries:

Germany

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

United States

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

United Kingdom

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

Switzerland

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

(in millions of €)	Defined benefit obligation (I) Fiscal year 2020	2019	Fair value of plan assets (II) Fiscal year 2020	2019	Effects of asset ceiling (III) Fiscal year 2020	2019	Net defined benefit balance (I-II+III) Fiscal year 2020	2019
Balance at beginning of fiscal year	**3,847**	3,376	**2,858**	2,574	**13**	13	**1,002**	815
Current service cost	73	62	–	–	–	–	73	62
Interest expenses	52	83	–	–	–	–	52	83
Interest income	–	–	43	67	–	–	–43	–67
Other[1]	–6	–	–4	–2	–	–	–2	3
Defined benefit cost recognized in the consolidated statements of income	**119**	145	**39**	65	**–**	–	**81**	81
Return on plan assets (excluding amounts included in net interest income and net interest expenses)	–	–	53	220	–	–	–53	–220
Actuarial gains (–) and losses	67	397	–	–	–	–	67	397
Effects of asset ceiling	–	–	–	–	–6	–	–6	–
Remeasurements recognized in the consolidated statements of comprehensive income	**67**	397	**53**	220	**–6**	–	**9**	177
Employer contributions	–	–	77	66	–	–	–77	–66
Plan participants' contributions	9	8	9	8	–	–	–	–
Benefits paid	–153	–152	–138	–136	–	–	–15	–16
Settlement payments	–	–	–	–	–	–	–	–
Business combinations, disposals and other	4	3	–	–	–	–	4	3
Currency translation differences	–95	70	–85	62	–	–	–11	8
Other reconciliation items	**–235**	–71	**–137**	–1	**–**	–	**–99**	–70
Balance at fiscal year-end	**3,798**	3,847	**2,813**	2,858	**8**	13	**993**	1,002
Thereof:								
Germany	2,007	2,001	1,216	1,204	–	–	791	798
United States	1,050	1,107	937	987	–	–	113	120
United Kingdom	369	371	408	423	8	13	–32	–39
Switzerland	112	105	104	95	–	–	7	10
Other countries	261	263	147	149	–	–	114	114
Thereof:								
Provisions for pensions and similar obligations							1,029	1,045
Net defined benefit assets[2]							36	43

[1] Included past service costs, settlement gains and losses as well as liability management costs for funded plans.

[2] Presented in the line item other assets.

Net interest expenses related to provisions for pensions and similar obligations amounted to €10 million in fiscal year 2020 (2019: €17 million). The defined benefit obligation was attributable to active employees 45% (2019: 46%), to active and former employees with vested benefits for whom no more current service cost is recognized 14% (2019: 15%), and to retirees and surviving dependents 41% (2019: 39%).

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

(in millions of €)	Fiscal year 2020	2019
Changes in demographic assumptions	–3	–19
Changes in financial assumptions	72	426
Experience gains and losses	–2	–11
Total actuarial gains (–) and losses	**67**	397

In fiscal year 2019, an actuarial gain of €83 million was recognized due to a change in financial assumptions in connection with payment options at the start of retirement in Germany.

Actuarial assumptions

The weighted-average discount rate was as follows:

	Sept 30,	
(in %)	2020	2019
Discount rate	1.5	1.8
Euro	0.9	0.9
U.S. dollar	2.4	3.0
British pound	1.7	2.0
Swiss franc	0.2	0.2

Mortality tables applied were:

	Sept 30,	
	2020	2019
Germany	Siemens-specific tables (Siemens Bio 2017/2020) mainly derived from data of the German Siemens population and to a lesser extent from data of the Federal Statistical Office in Germany by applying formulas in accordance with recognized actuarial standards	Siemens-specific tables (Siemens Bio 2017) mainly derived from data of the German Siemens population and to a lesser extent from data of the Federal Statistical Office in Germany by applying formulas in accordance with recognized actuarial standards
United States	Pri-2012 generational projection from the U.S. Social Security Administration's Long Range Demographic Assumptions	Pri-2012 generational projection from the U.S. Social Security Administration's Long Range Demographic Assumptions
United Kingdom	SAPS S2 Standard mortality tables for Self-Administered Pension Schemes with allowance for future mortality improvements	SAPS S2 Standard mortality tables for Self-Administered Pension Schemes with allowance for future mortality improvements
Switzerland	BVG 2015 G	BVG 2015 G

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

	Sept 30,	
(in %)	2020	2019
Compensation increase		
United Kingdom	2.6	3.5
Switzerland	1.4	1.4
Pension progression		
Germany	1.5	1.4
United Kingdom	2.6	2.7

Sensitivity analysis

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

	Effect on defined benefit obligation due to a change of half a percentage-point			
	Sept 30, 2020		Sept 30, 2019	
(in millions of €)	Increase	Decrease	Increase	Decrease
Discount rate	−227	266	−231	271
Compensation increase	11	−10	10	−10
Pension progression	158	−135	154	−136

The effect on the defined benefit obligation of a 10% reduction in mortality rates for all beneficiaries would be an increase of €109 million as of September 30, 2020 (September 30, 2019: €104 million).

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

Asset liability management strategies

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

Disaggregation of plan assets

	Sept 30,	
(in millions of €)	**2020**	**2019**
Equity securities	554	560
Fixed income securities	1,474	1,522
Thereof:		
Government bonds	327	337
Corporate bonds	1,147	1,185
Alternative investments	200	200
Multi-strategy funds	345	343
Derivatives	65	46
Cash and cash equivalents	91	122
Other	83	65
Total plan assets	**2,813**	**2,858**

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

Future cash flows

As of the reporting date, employer contributions expected to be paid to defined benefit plans in fiscal year 2021 amounted to €73 million (2020: €76 million). Over the next ten fiscal years, average annual benefit payments of €181 million were expected (September 30, 2019: €181 million). The weighted average duration of the defined benefit obligation for Siemens Healthineers' defined benefit plans was 13 years (September 30, 2019: 13 years).

Defined contribution plans

The amount recognized as an expense for defined contribution plans amounted to €449 million in fiscal year 2020 (2019: €418 million). Therein, contributions to state plans of €287 million (2019: €284 million) were included.

Note 22 Other liabilities

(in millions of €)	Sept 30, 2020	2019
Deferred compensation liabilities	211	227
Employee-related accruals	121	127
Other	13	13
Total other liabilities	**345**	368

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

Note 23 Equity

In September 2020, the Managing Board of Siemens Healthineers AG, with the approval of the Supervisory Board, authorized a capital increase against cash contributions through partial utilization of the authorized capital. The 75,000,000 new shares were issued under exclusion of subscription rights of already existing shareholders at a placement price of €36.40 per share and carry dividend rights as from October 1, 2019. Within equity, effects from transaction costs of €26 million were recognized.

Issued capital: As of September 30, 2020, the issued capital of Siemens Healthineers AG was divided into 1,075,000,000 (September 30, 2019: 1,000,000,000) ordinary registered shares with no par value and a notional value of €1.00 per share. The shares are fully paid in. Each share has one vote and accounts for the shareholder's proportionate share in the net income. All shares confer the same rights and obligations.

Authorized capital: As of September 30, 2020, authorized capital of Siemens Healthineers AG was €425 million (September 30, 2019: €500 million), issuable on one or more occasions until February 18, 2023, by issuing up to a total of 425,000,000 (September 30, 2019: 500,000,000) new ordinary registered shares with no par value in return for cash or contributions in kind. In addition, as of September 30, 2020 and 2019, the conditional capital of Siemens Healthineers AG was €100 million or 100,000,000 shares. It can be used for servicing convertible bonds or warrants under warrant bonds.

Capital reserve and retained earnings: In fiscal year 2020, changes in the capital reserve resulted mainly from the capital increase against cash contributions described above. In fiscal year 2019, for the purpose of dividend distribution, an amount of €390 million was withdrawn from the free capital reserve and transferred to retained earnings.

Other components of equity: In fiscal year 2020, Siemens Healthineers repurchased 1,550,474 (2019: 1,446,454) shares and transferred 1,303,383 (2019: 1,043,059) treasury shares. As of the reporting date, the Group held 898,249 (September 30, 2019: 651,158) treasury shares.

Dividends: Dividends paid per share were €0.80 in fiscal year 2020. The amount was calculated based on the Group's net income generated during the period from October 1, 2018, until September 30, 2019. For fiscal year 2020, the Managing Board and the Supervisory Board propose to distribute a dividend of €0.80 per share entitled to the dividend, in total representing approximately €859 million in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on February 12, 2021.

Note 24 Other financial obligations

As of the reporting date, the expected purchase price obligation from the planned acquisition of Varian amounted to US$ 16.4 billion (€14.0 billion). Upon closing of the acquisition, Siemens Healthineers is obliged to repay all amounts outstanding under an existing credit agreement of Varian, which has a maximum volume of US$ 1.2 billion (€1.0 billion). For further information, please refer to → ***Note 3 Acquisitions***.

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

As of the reporting date, contractual commitments for purchases of property, plant and equipment amounted to €107 million (September 30, 2019: €84 million).

Note 25 Financial instruments and hedging activities

Financial instruments

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

Carrying amounts as of September 30, 2020

(in millions of €)	Category of financial assets and liabilities (IFRS 9)[1]	In scope of IFRS 9				Not in scope of IFRS 9	Total
		Measured at amortized cost	Measured at fair value				
			Level 1	Level 2	Level 3		
Cash and cash equivalents	AC	656	–	–	–	–	656
Trade receivables[2]	AC	2,520	–	–	–	–	2,520
Receivables from finance leases[3]	n. a.	–	–	–	–	210	210
Receivables from Siemens Group	AC	3,392	–	–	–	–	3,392
Other current and non-current financial assets[2]							
Derivatives included in hedge accounting	n. a.	–	–	154	–	–	154
Derivatives not included in hedge accounting	FVtPL	–	–	21	–	–	21
Equity instruments and fund shares measured at fair value through profit or loss	FVtPL	–	13	9	11	–	33
Equity instruments measured at fair value through other comprehensive income	FVtOCI	–	–	–	42	–	42
Other	AC	81	–	–	–	–	81
Total financial assets		**6,650**	**13**	**185**	**53**	**210**	**7,111**
Short-term and current maturities of long-term financial debt as well as long-term financial debt[4]	AC	109	–	–	–	–	109
Trade payables	AC	1,356	–	–	–	–	1,356
Lease liabilities[5]	n. a.	–	–	–	–	458	458
Payables and other liabilities to Siemens Group[4]	AC	4,942	–	–	–	–	4,942
Other current and non-current financial liabilities							
Derivatives included in hedge accounting	n. a.	–	–	5	–	–	5
Derivatives not included in hedge accounting	FVtPL	–	–	17	–	–	17
Contingent consideration	FVtPL	–	–	–	7	–	7
Liabilities from written put options on non-controlling interests	n. a.	–	–	–	–	31	31
Other	AC	45	–	–	–	–	45
Total financial liabilities		**6,452**	**–**	**21**	**7**	**489**	**6,969**

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

[2] Excluding separately disclosed receivables from finance leases.

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

[4] Excluding separately disclosed lease liabilities.

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

Carrying amounts as of September 30, 2019

(in millions of €)	Category of financial assets and liabilities (IFRS 9)[1]	In scope of IFRS 9				Not in scope of IFRS 9	Total
		Measured at amortized cost	Measured at fair value				
			Level 1	Level 2	Level 3		
Cash and cash equivalents	AC	920	–	–	–	–	920
Trade receivables[2]	AC	2,744	–	–	–	–	2,744
Receivables from finance leases[3]	n. a.	–	–	–	–	179	179
Receivables from Siemens Group	AC	686	–	–	–	–	686
Other current and non-current financial assets[2]							
Derivatives included in hedge accounting	n. a.	–	–	113	–	–	113
Derivatives not included in hedge accounting	FVtPL	–	–	16	–	–	16
Equity instruments and fund shares measured at fair value through profit or loss	FVtPL	–	7	8	7	–	22
Equity instruments measured at fair value through other comprehensive income	FVtOCI	–	–	–	44	–	44
Other	AC	77	–	–	–	–	77
Total financial assets		**4,427**	**7**	**137**	**51**	**179**	**4,801**
Short-term and current maturities of long-term financial debt as well as long-term financial debt[4]	AC	109	–	–	–	–	109
Trade payables	AC	1,403	–	–	–	–	1,403
Obligations under finance leases[5]	n. a.	–	–	–	–	32	32
Payables and other liabilities to Siemens Group	AC	4,394	–	–	–	–	4,394
Other current and non-current financial liabilities							
Derivatives included in hedge accounting	n. a.	–	–	49	–	–	49
Derivatives not included in hedge accounting	FVtPL	–	–	13	–	–	13
Contingent consideration	FVtPL	–	–	–	27	–	27
Liabilities from written put options on non-controlling interests	n. a.	–	–	–	–	17	17
Other	AC	61	–	–	–	–	61
Total financial liabilities		**5,967**	**–**	**62**	**27**	**49**	**6,105**

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

[2] Excluding separately disclosed receivables from finance leases.

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

[4] Excluding separately disclosed obligations under finance leases.

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

- The carrying amounts of the items cash and cash equivalents, short-term and current maturities of long-term financial debt, trade payables, payables to Siemens Group and other current financial assets and other current financial liabilities measured at amortized cost approximated their fair value due to the short-term maturities of these instruments.
- Trade receivables, receivables from finance leases, receivables from Siemens Group and other non-current financial assets measured at amortized cost were evaluated taking into account various parameters, such as interest rates, country-specific risks and individual creditworthiness of the debtors. Based on this evaluation, valuation allowances for these items were recognized. The carrying amounts of the items net of valuation allowances approximated their fair values.
- The carrying amount of other liabilities to Siemens Group from U.S. dollar denominated long-term loans was €2,923 million as of September 30, 2020 (September 30, 2019: €3,932 million). The fair value of these liabilities, which is based on prices provided by price service agencies (level 2), amounted to €3,173 million as of September 30, 2020 (September 30, 2019: €3,928 million). The carrying amounts of the remaining other liabilities to Siemens Group approximated their fair value because the relevant interest rates approximated market interest rates.
- The carrying amounts of other non-current financial liabilities measured at amortized cost approximated their fair value, which is determined by discounting the expected future cash flows using market interest rates.
- The determination of the fair values of derivatives depended on the specific type of instrument. The fair values of forward exchange contracts were based on forward exchange rates (level 2). Options were generally valued based on quoted market prices or based on option pricing models (level 2). In connection with the planned acquisition of Varian, Siemens Healthineers entered into a deal contingent forward, which is linked to the actual closing of the acquisition. The fair value of this deal contingent forward is generally based on observable market data such as forward exchange rates, interest curves and volatilities. In addition, the value of the contingency element was taken into account, which depends on expectations about the occurrence and the timing of the closing (level 3). The changes in value of the deal contingent forward amounted to €25 million and were recognized in the line item cash flow hedges within other comprehensive income. In determining the fair values of derivatives, no compensating effects from underlying transactions were taken into consideration.
- Except for a publicly listed investment for which a quoted price in an active market exists (level 1), the fair values of equity instruments were generally derived from a discounted cash flow valuation (level 3). Expected cash flows are subject to future market and business developments as well as price volatility. The discount rates applied take into account respective risk-adjusted capital costs. The fair value measurement of fund shares was based on their net asset values (level 2).
- The fair values of contingent consideration were derived from probability-weighted future payments, which mainly depend on the achievement of technical and commercial milestones as well as on the achievement of sales targets (level 3).
- Liabilities from written put options on non-controlling interests were measured at fair value, which is based on the present value of the exercise price of the options (level 3). The exercise price is generally derived from the proportionate enterprise value. The increase in liabilities resulted mainly from the addition of written put options amounting to €58 million in connection with the acquisition of ECG (please also see → ***Note 3 Acquisitions***). The enterprise value of ECG is calculated by an independent appraiser in accordance with a contractually agreed methodology and serves as a basis for the exercise price per share, which is determined at least once a year. The most significant unobservable input used to determine the fair value is financial information from the five-year business plan, which is mainly subject to expected business and market developments. In addition, weighted revenue and earnings multiples are considered. Changes resulting from the revaluation of liabilities from written put options during fiscal year 2020 amounted to €–44 million and were recognized in retained earnings.

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

	Fiscal year	
(in millions of €)	**2020**	**2019**
Financial assets measured at amortized cost	–15	–26
Financial liabilities measured at amortized cost	172	–78
Financial assets and financial liabilities measured at fair value through profit or loss	34	–108
Equity instruments measured at fair value through other comprehensive income	1	1

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

In fiscal year 2020, interest expenses on financial liabilities not measured at fair value through profit or loss amounted to €128 million (2019: €126 million). Foreign currency revaluation differences recognized in profit or loss on financial assets and liabilities not measured at fair value amounted to €161 million (2019: €–84 million).

Valuation allowances for expected credit losses

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

	Fiscal year	
(in millions of €)	2020	2019
Valuation allowances at beginning of fiscal year	96	85
Change in valuation allowances recorded in the consolidated statements of income	27	20
Write-offs charged against allowances	−16	−11
Currency translation differences	−7	3
Valuation allowances at fiscal year-end	**101**	**96**

The change in valuation allowances recorded in the consolidated statements of income related to an increase in the valuation allowances on receivables from the sale of goods and services in fiscal year 2020 by €27 million (2019: increase by €16 million).

Receivables from Siemens Group were classified in stage 1 of the general impairment approach, which means the valuation allowances were measured at an amount equal to the twelve-month expected credit loss. As of September 30, 2020, receivables from Siemens Group with gross carrying amounts of €3,392 million (September 30, 2019: €686 million) carried an investment grade rating. In fiscal years 2020 and 2019, no material valuation allowances were recognized.

Offsetting

Siemens Healthineers entered into master netting agreements and similar agreements for derivatives. As of September 30, 2020, the gross amounts of such derivatives amounted to €154 million (September 30, 2019: €116 million) for derivatives with positive fair values and €10 million (September 30, 2019: €45 million) for derivatives with negative fair values. Thereof, €5 million (September 30, 2019: €2 million) were subject to a master netting agreement but were not offset in the consolidated statements of financial position because the offsetting requirements were not met.

Hedging activities

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

In fiscal years 2020 and 2019, Siemens Healthineers did not hold any material derivatives relating to interest rate risk or commodity price risk.

Cash flow hedges

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

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

	Sept 30, 2020		Sept 30, 2019	
(in millions of €)	Within 1 year	More than 1 year	Within 1 year	More than 1 year
Forward exchange contracts	1,889	2,333	1,437	3,355
Deal contingent forward	7,500	–	–	–
Total	**9,389**	**2,333**	1,437	3,355

As of the reporting date, forward exchange contracts with a nominal amount of €3,102 million (September 30, 2019: €3,399 million) were used to hedge exchange risks arising from U.S. dollar-denominated loans maturing in fiscal years 2021, 2023 and 2027. The weighted average hedging rate was 1.2548 US$/€ (September 30, 2019: 1.2525 US$/€). For these hedges, only the changes in the value of the spot element of the forward exchange contracts were designated as hedging instruments.

In addition, Siemens Healthineers entered into a deal contingent forward with a nominal amount of €7,500 million to hedge exchange risks arising from a part of the purchase price obligation for the planned acquisition of Varian. The expected hedging rate of the deal contingent forward, which is linked to the closing date of the transaction, was 1.1677 US$/€. Since the acquisition of Varian is considered to be highly probable, the deal contingent forward was designated as a hedging instrument in a cash flow hedge. The existence of an economic relationship between the hedging instrument and the hedged item is reassessed regularly on a qualitative and quantitative basis. The effectiveness of the hedging relationship is determined by using the dollar offset method. In applying this method, the changes in the value of the deal contingent forward are compared to the changes in the value of a hypothetical derivative representing the hedged item. Hedge ineffectiveness can result mainly from the contingency element included in the hedging instrument, which depends on expectations about the occurrence and the timing of the closing.

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

	Sept 30, 2020		Sept 30, 2019	
(in millions of €)	Assets [1]	Liabilities [2]	Assets [1]	Liabilities [2]
Forward exchange contracts	129	5	113	49
Deal contingent forward	25	–	–	–
Total	**154**	**5**	113	49

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

In fiscal year 2020, the changes in fair value of the hedging instruments used for measuring hedge ineffectiveness amounted to €–127 million (2019: €41 million). The changes in value of the hedged items amounted to €127 million (2019: €–41 million). There was no material impact on profit or loss resulting from ineffectiveness.

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

	Cash flow hedges reserve		Cost of hedging reserve	
	Fiscal year		Fiscal year	
(in millions of €)	2020	2019	2020	2019
Balance at beginning of fiscal year	**–24**	2	**3**	–
Changes in the fair value of hedging instruments	–127	41	221	26
Amounts reclassified into revenue (hedging of forecast sales)	–1	–7	–	–
Amounts reclassified into cost of sales (hedging of forecast purchases)	–1	1	–	–
Amounts reclassified into other financial income (hedging of financial debt denominated in foreign currency)	211	–72	–	–
Amounts reclassified into interest expenses	1	–	–67	–22
Income tax effects	–22	11	–40	–1
Balance at end of fiscal year	**37**	–24	**117**	3

Note 26 Financial risk management

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

Market risks

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

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

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

- A ten-day holding period assumes that it is possible to dispose of the underlying positions within this period. This may not apply during continuing periods of illiquid markets.
- A 99.5% confidence level means that there is a 0.5% statistical probability that losses exceed the calculated VaR.
- The use of historical data as a basis for estimating the statistical behavior of the relevant markets and finally determining the possible range of the future outcomes based on this statistical behavior may not always cover all possible scenarios, especially those of an exceptional nature.

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

Exchange rate risk

Transaction risk

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

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

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

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

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

As of September 30, 2020, the VaR relating to exchange rate risks was €50 million (September 30, 2019: €51 million). This VaR was calculated taking into consideration items of the consolidated statement of financial position, foreign-currency-denominated firm commitments, foreign-currency-denominated cash flows from forecast transactions for the following twelve months and effects from hedging transactions.

Translation risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or its future cash flows will fluctuate because of changes in interest rates. This risk arises whenever interest terms of financial assets and liabilities are different. Siemens Healthineers' exposure to the risk of fluctuations in future cash flows resulting from changes in interest rates relates mainly to short-term bank loans as well as money market borrowings and investments at Siemens Group. Long-term liabilities to Siemens Group primarily have fixed interest rates. Therefore, Siemens Healthineers was not exposed to a substantial risk of fluctuations in future cash flows resulting from changes in interest rates. Moreover, the interest rate risks of fluctuations in the fair values of long-term liabilities are currently not actively managed as no material effects on net income are expected to occur. Accordingly, Siemens Healthineers did not use any interest rate derivatives in fiscal years 2020 and 2019.

As of September 30, 2020, the VaR relating to interest rates was €47 million (September 30, 2019: €184 million). The decrease was mainly driven by lower interest rate volatilities in the United States and in the euro zone.

Liquidity risk

Liquidity risks relate to Siemens Healthineers' ability to meet its financial obligations. As of September 30, 2020, Siemens Healthineers' reserve of cash and cash equivalents amounted to €656 million (September 30, 2019: €920 million).

In the periods presented, Siemens Healthineers was financed largely by the Siemens Group and invested excess liquidity using its cash pooling and cash management systems. For details about financing arrangements with the Siemens Group, please refer to →***Note 16 Financial debt***.

The following table reflects the contractually fixed payoffs for repayments and interest. The disclosed expected undiscounted net cash outflows from derivative financial liabilities were determined based on each particular settlement date of an instrument and on the earliest date on which Siemens Healthineers could be required to pay. In addition, the majority of the financing agreements with the Siemens Group include change of control clauses that may result in early maturity (please also see →***A.9.5 Significant agreements which take effect, alter or terminate upon a change of control of Siemens Healthineers AG following a takeover bid***). Cash outflows for financial liabilities without fixed amount are based on the conditions existing as of September 30, 2020.

	Fiscal year			
(in millions of €)	2021	2022	2023 to 2025	2026 and thereafter
Non-derivative financial liabilities	**3,725**	**251**	**1,005**	**3,026**
Thereof:				
Loans from banks	60	51	–	–
Lease liabilities	143	111	157	71
Trade payables	1,350	2	3	1
Other financial liabilities	71	8	–	–
Payables and other liabilities to Siemens Group [1]	2,101	79	845	2,954
Derivative financial liabilities	**22**	**–**	**–**	**–**

[1] Excluding separately disclosed lease liabilities.

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

Credit risk

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

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

Siemens Healthineers applies various systems and processes to analyze and monitor credit risk. A central IT application is available that provides rating and default information. Together with data from operating entities, this information is used as a basis for individual bad debt allowances. In addition to this automated process, qualitative information is considered to particularly incorporate latest developments.

There were no significant concentrations of customer credit risk as of September 30, 2020 and 2019. The maximum exposure to credit risk for financial assets, without taking account of any collateral, is represented by their carrying amount. As of September 30, 2020, collateral and other credit enhancements held for financial assets measured at amortized cost amounted to €59 million (September 30, 2019: €78 million), mainly in the form of letters of credit and guarantees.

As of September 30, 2020, the gross carrying amount of receivables from the sale of goods and services amounted to €2,612 million (September 30, 2019: €2,831 million). Based on rating information from Siemens Financial Services, 38% (September 30, 2019: 38%) were rated with an investment grade rating and 62% (September 30, 2019: 62%) with a non-investment grade rating. Receivables from finance leases with a gross carrying amount of €216 million (September 30, 2019: €185 million) and contract assets with a gross carrying amount of €825 million (September 30, 2019: €844 million) generally share similar risk characteristics. As of the reporting date, there were no material loan commitments and financial guarantee contracts.

Note 27 Share-based payment

As of September 30, 2020, the carrying amount of liabilities from share-based payment amounted to €72 million (September 30, 2019: €80 million). In fiscal year 2020, total expenses for share-based payment amounted to €88 million (2019: €36 million). These included €50 million related to equity-settled share-based payment awards (2019: €22 million).

Share-based payment awards granted in fiscal year 2020 were based on Siemens Healthineers AG shares, including the Siemens Healthineers' stock awards and the Share Matching program based on Siemens Healthineers AG shares. In addition, employees continued to participate in existing share-based payment plans of the Siemens Group based on Siemens AG shares. These plans included Siemens' stock awards, the Share Matching program based on Siemens AG shares and the Jubilee Share program.

After the Siemens Energy spin-off from the Siemens Group, participants in Siemens' stock awards and the Share Matching program based on Siemens AG shares, accounted for as cash-settled share-based payment transactions, will receive, upon their granted but not yet vested Siemens' stock awards and Siemens' matching shares, as compensation for the dilution expected from the spin-off, an additional cash-payment. This cash payment applies to the notional number of Siemens Energy AG shares in the ratio of two to one based on the respective number of Siemens AG shares of the participants and depends on the Siemens Energy share price at the end of the vesting period. This represents a modification of the underlying Siemens' stock awards and Siemens' matching shares and has to be accounted for as cash-settled share-based payment. At the date of the modification, which was the acceptance of the spin-off at the extraordinary shareholder's meeting of Siemens AG on July 9, 2020, the fair value amounted to €5 million.

Stock awards

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

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

	Siemens Healthineers AG shares		Siemens AG shares	
	Fiscal year		Fiscal year	
	2020	2019	2020	2019
Non-vested at beginning of fiscal year	**2,400,158**	620,826	**534,148**	690,022
Granted	1,139,879	1,836,586	–	–
Vested and fulfilled	–	–	−193,877	−133,967
Forfeited	−130,553	−53,289	−12,793	−20,429
Settled	−18,802	−3,965	−2,148	−1,478
Non-vested at fiscal year-end	**3,390,682**	2,400,158	**325,330**	534,148

Siemens' stock awards

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

Siemens Healthineers' stock awards

In fiscal year 2020, Siemens Healthineers granted Siemens Healthineers' stock awards to members of the Managing Board, members of senior management and other eligible employees. Beginning with the 2020 tranche, the major portion of the Siemens Healthineers' stock awards (plan design II) granted to members of senior management and other eligible employees depends solely on fulfillment of the employee's respective service condition. In addition, Siemens Healthineers' stock awards (plan design I) granted to members of the Managing Board and eligible members of senior management and other eligible employees remain linked to the development of the total shareholder return in comparison to that of established competitors during the vesting period. The following table summarizes the information for the Siemens Healthineers' stock awards of the 2020 and 2019 tranches.

Siemens Healthineers' stock awards

	Tranche 2020			Tranche 2019	
	Plan design I		Plan design II		
Performance condition	development of the total shareholder return in comparison to competitors		n.a.	development of the total shareholder return in comparison to competitors	
Target attainment	0 – 200%		n.a.	0 – 200%	
Restriction period	About 4 years		About 1 to about 4 years	About 4 years	
Beneficiaries	Members of the Managing Board, eligible members of senior management and other eligible employees		Members of senior management and other eligible employees	Members of the Managing Board, members of senior management and other eligible employees	
Classification	Equity-settled share-based payment			Equity-settled share-based payment	
Number of granted stock awards	354,955 [1]		784,924	1,836,586 [1]	
Fair Value at the grant date	€8 million		€32 million	€33 million	
Determination of the fair value	Valuation model		Share price less the present value of expected dividend	Valuation model	
Inputs to the valuation model for the following beneficiaries	**Members of the Managing Board**	**Members of senior management and other eligible employees**	**Members of senior management and other eligible employees**	**Members of the Managing Board**	**Members of senior management and other eligible employees**
Expected weighted volatility of Siemens Healthineers AG shares [2]	21.28%	21.36%	n.a.	20.54%	20.54%
Share price per Siemens Healthineers AG share	€42.59	€43.50	€43.50	€36.73	€36.25
Expected dividend yield	1.88%	1.84%	n.a.	1.91%	1.93%
Risk-free interest rate	−0.27%	−0.27%	n.a.	0.16%	0.16%

[1] Based on a target attainment of 200%.
[2] Expected volatility and assumptions concerning share price correlations were determined by reference to historical volatilities and historical correlations, respectively.

Share Matching program and its underlying plans

Under the Share Matching program, Siemens Healthineers offers plans which entitle beneficiaries to receive Siemens Healthineers AG shares. Up to fiscal year 2018, beneficiaries were entitled to receive Siemens AG shares. The plans under the Share Matching program based on Siemens Healthineers AG shares are classified as equity-settled share-based payment, while plans under the Share Matching program based on Siemens AG shares as cash-settled share-based payment. The weighted average fair value of the Siemens Healthineers' matching shares granted in fiscal year 2020 was €33.81 per share (2019: €28.17 per share). It was determined as the share price less the present value of expected dividends and taking into account non-vesting conditions.

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

	Siemens Healthineers AG shares		Siemens AG shares	
	Fiscal year		Fiscal year	
	2020	2019	2020	2019
Outstanding at beginning of fiscal year	**134,462**	–	**213,232**	229,703
Granted	410,693	142,942	–	93,144
Vested and fulfilled	–	–	−79,790	−93,923
Forfeited	−19,941	−7,510	−7,167	−10,884
Settled	−7,059	−970	−4,657	−4,808
Outstanding at fiscal year-end	**518,155**	134,462	**121,618**	213,232

Share matching plan

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

Monthly investment plan

Under the monthly investment plan, employees other than members of senior management can monthly invest a part of their compensation in shares over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the monthly investment plan are transferred to the share matching plan, plan participants have the right to receive matching shares under the same conditions applying to the share matching plan described above but with a vesting period of about two years. In fiscal year 2020, the Managing Board of Siemens Healthineers AG decided that shares acquired under the 2019 tranche are transferred to the share matching plan in February 2020.

Base share program

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

Jubilee Share program

For their 25th and 40th service anniversary, eligible employees in Germany receive jubilee shares in form of Siemens AG shares. The Jubilee Share program is classified as cash-settled share-based payment. As of September 30, 2020, 426,240 entitlements to jubilee shares were outstanding for Siemens Healthineers' employees (September 30, 2019: 485,360).

Note 28 Personnel expenses and employees

	Fiscal year	
(in millions of €)	**2020**	**2019**
Wages and salaries	4,221	3,956
Statutory social welfare contributions and expenses for optional support	613	617
Expenses relating to post-employment benefits	238	203
Total personnel expenses	**5,072**	**4,775**

Wages and salaries in fiscal year 2020 included severance charges of €65 million (2019: €57 million).

Employees were engaged in the following functions (averages):

	Fiscal year	
(in thousands)	**2020**	**2019**
Manufacturing and services	30	29
Sales	12	11
Research and development	10	9
Administration and general services	3	3
Total employees	**54**	**52**

Note 29 Segment information

	External revenue		Intersegment revenue		Total revenue	
	Fiscal year		Fiscal year		Fiscal year	
(in millions of €)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Imaging	8,813	8,647	277	292	9,090	8,938
Diagnostics	3,924	4,133	–	–	3,924	4,133
Advanced Therapies	1,625	1,602	3	4	1,628	1,606
Total segments	**14,362**	**14,381**	**280**	**296**	**14,642**	**14,678**
Reconciliation to consolidated financial statements	98	136	–280	–296	–182	–160
Siemens Healthineers	**14,460**	**14,518**	**–**	**–**	**14,460**	**14,518**

[1] Siemens Healthineers: Income before income taxes.
[2] Fiscal year 2019: On segment level adjusted according to the definition of the adjusted EBIT.
[3] Including additions through business combinations, excluding goodwill.

Reportable segments

Siemens Healthineers has the following three reportable segments, which are differentiated according to the nature of goods and services:

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

Measurement and reconciliations

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

Revenue

Siemens Healthineers' revenue included revenue from contracts with customers and income from leases. In fiscal year 2020, income from leases amounted to €323 million (2019: €233 million).

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

As of the reporting date, the aggregate amount of transaction prices allocated to performance obligations that were unsatisfied or partially unsatisfied (order backlog) amounted to €19 billion (September 30, 2019: €18 billion). Thereof, €6 billion (September 30, 2019: €6 billion) are expected to be recognized as revenue in the next twelve months.

Intersegment revenue is based on market prices.

Adjusted EBIT[1]		Assets		Free cash flow[2]		Additions to other intangible assets and property, plant and equipment[3]		Amortization, depreciation and impairments	
Fiscal year		Sept 30,		Fiscal year		Fiscal year		Fiscal year	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
1,909	1,831	7,045	6,840	1,810	1,512	309	154	166	151
72	375	5,179	5,499	–216	–120	541	634	279	263
298	317	1,934	997	265	261	328	22	18	14
2,280	**2,523**	**14,158**	**13,336**	**1,858**	**1,653**	**1,179**	**810**	**464**	**427**
–325	–330	10,936	8,093	–487	–615	300	151	351	193
1,954	**2,193**	**25,094**	**21,429**	**1,371**	**1,037**	**1,479**	**961**	**815**	**620**

Adjusted EBIT

Starting in fiscal year 2020, adjusted EBIT margin is used to manage the operating performance of our segments. Adjusted EBIT margin is defined as the adjusted EBIT of the particular segment concerned, divided by its total revenue. Adjusted EBIT is defined as income before income taxes, interest income and expenses and other financial income, net, adjusted for amortization of intangible assets acquired in business combinations, severance charges, acquisition-related transaction costs and centrally carried pension service and administration expenses.

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

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

	Fiscal year	
(in millions of €)	2020	2019
Total segments' adjusted EBIT	**2,280**	**2,523**
Centrally carried pension service and administration expenses	–17	–13
Amortization of intangible assets acquired in business combinations	–168	–131
Acquisition-related transaction costs	–16	–
Severance charges	–65	–57
Financial income, net	–27	–107
Corporate items	–22	–42
Corporate treasury, Siemens Healthineers Real Estate[1], eliminations and other items	–10	19
Total reconciliation to consolidated financial statements	**–325**	**–330**
Siemens Healthineers' income before income taxes	**1,954**	**2,193**

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

The line item corporate items includes corporate costs, such as costs of group management and corporate projects as well as business activities and special topics that were not allocated directly to the segments.

Assets

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

	Sept 30,	
(in millions of €)	2020	2019
Total segments' assets	**14,158**	**13,336**
Asset-based adjustments	5,770	2,768
Therein:		
Assets corporate treasury	739	994
Assets Siemens Healthineers Real Estate	945	627
Receivables from Siemens Group from non-operating activities	3,387	683
Current income tax assets and deferred tax assets	468	554
Liability-based adjustments	5,167	5,325
Total reconciliation to consolidated financial statements	**10,936**	**8,093**
Siemens Healthineers' total assets	**25,094**	**21,429**

Free cash flow

Free cash flow comprises the cash flows from operating activities and additions to intangible assets and property, plant and equipment included in cash flows from investing activities. As with the segments' adjusted EBIT, the segments' free cash flow excludes payments related to income taxes, corporate items and certain other payments. With the application of the adjusted EBIT margin as the new performance measure, the calculation of free cash flow changed accordingly, which means that operating interest is no longer part of the segments' free cash flow.

	Fiscal year	
(in millions of €)	2020	2019[1]
Total segments' free cash flow	**1,858**	**1,653**
Tax-related cash flows	−512	−493
Corporate items and other	25	−122
Total reconciliation to consolidated financial statements	**−487**	**−615**
Siemens Healthineers' free cash flow	**1,371**	**1,037**

[1] Fiscal year 2019: On segment level adjusted according to the definition of the adjusted EBIT.

Amortization, depreciation and impairments

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

Note 30 Information about geographies

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

	Revenue by customer location		Revenue by entity location	
	Fiscal year		Fiscal year	
(in millions of €)	2020	2019	2020	2019
Europe, C.I.S., Africa, Middle East (EMEA)	4,747	4,617	5,094	5,299
Americas	5,691	5,803	5,665	5,765
Asia, Australia	4,022	4,098	3,701	3,454
Total	**14,460**	**14,518**	**14,460**	**14,518**
Thereof:				
Germany	874	873	1,418	1,725
Foreign countries	13,586	13,645	13,042	12,793
Therein:				
United States	4,909	4,916	4,937	4,935
China	1,893	1,838	1,716	1,352

	Location of non-current assets	
	Sept 30,	
(in millions of €)	2020	2019
Europe, C.I.S., Africa, Middle East (EMEA)	4,193	3,979
Americas	8,270	7,627
Asia, Australia	1,260	879
Total	**13,724**	**12,484**
Thereof:		
Germany	1,880	1,691
Foreign countries	11,844	10,793
Therein:		
United States	7,920	7,247

Note 31 Related party transactions

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

Transactions with the Siemens Group

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Fiscal year		Fiscal year	
(in millions of €)	2020	2019	2020	2019
Siemens AG	5	35	266	250
Other Siemens Group entities	375	337	231	235
Total	**380**	**372**	**497**	**485**

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

- In fiscal year 2020, Siemens Healthineers received support services from the Siemens Group for central corporate services such as tax, legal, IT, corporate communications, human resources, accounting, financial services and treasury with a total value of €334 million (2019: €349 million). For certain services, there were fixed payment obligations over a non-cancelable contract term and, in the prior year, also a minimum volume commitment. As of September 30, 2020, the resulting commitment amounted to €46 million (September 30, 2019: €225 million).
- Siemens Healthineers has entered into leasing transactions with the Siemens Group, mainly for real estate. As of September 30, 2020, total lease liabilities amounted to €86 million. As of September 30, 2019, the undiscounted future minimum lease payments to be made under non-cancelable leases for real estate amounted to €98 million.

Receivables from and payables to the Siemens Group

	Receivables from Siemens Group		Payables and other payables to Siemens Group	
	Sept 30,		Sept 30,	
(in millions of €)	2020	2019	2020	2019
Siemens AG	2,720	596	1,346	425
Other Siemens Group entities	672	91	3,683	3,969
Total	**3,392**	**686**	**5,028**	**4,394**

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

- Siemens Healthineers was included in the cash pooling and cash management of the Siemens Group. Thereby, Siemens Healthineers invested excess liquidity in the short term and was granted overdraft facilities for financing its operating activities.
- Receivables from the Siemens AG increased mainly due to the short-term investment of liquid funds from the capital increase in September 2020. The increase in receivables from other Siemens Group entities resulted, in particular, from the investment of liquid funds of Siemens Healthineers entities in China.
- The Siemens Group provided revolving backup facilities and loans of various maturities to Siemens Healthineers. The increase of other liabilities to Siemens AG is primarily due to an additional financing of €1.0 billion for the acquisition of Corindus.

Additionally, the Siemens Group provided a bridge facility to finance the planned acquisition of Varian. As of the reporting date, this financing commitment amounted to €12.5 billion and was not utilized by Siemens Healthineers.

For further information regarding the capital increase, please refer to → ***Note 23 Equity***. For details on the financing arrangements with the Siemens Group, the bridge facility related to the planned acquisition of Varian and resulting interest expenses and income, please refer to → ***Note 16 Financial debt***.

Other material relationships with the Siemens Group

Hedging
The majority of Siemens Healthineers' hedging activities was carried out with the corporate treasury of the Siemens Group as counterparty. As of September 30, 2020, related other current and other non-current financial assets amounted to €154 million (September 30, 2019: €116 million). This included other current financial assets amounting to €25 million related to a deal contingent forward with the Siemens Group, which hedges the payment of the purchase price of the planned acquisition of Varian. In addition, other current and other non-current financial liabilities from hedging activities with the Siemens Group amounted to €10 million (September 30, 2019: €45 million).

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

Guarantees and letters of support
The Siemens Group issued guarantees for or on behalf of Siemens Healthineers in connection with the operating activities of the Group. As of September 30, 2020, the guarantees issued by Siemens AG and other Siemens Group entities amounted to €19 million (September 30, 2019: €82 million) and €236 million (September 30, 2019: €305 million), respectively.

In addition, Siemens AG provided letters of support to banks and insurance companies, for example in connection with securing guarantee credit lines and overdraft facilities of the Group. As of September 30, 2020, the obligations secured by letters of support amounted to €452 million (September 30, 2019: €463 million).

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

Joint ventures and associates

In fiscal year 2020, Siemens Healthineers purchased goods and services from its joint ventures and associates in an amount of €70 million (2019: €72 million).

Related individuals

Managing Board and Supervisory Board of the Group
In fiscal year 2020, the members of the Managing Board received cash compensation of €3.3 million (2019: €4.1 million). The fair value of share-based payment granted in fiscal year 2020 amounted to €3.0 million (2019: €3.9 million) for 139,006 stock awards. Contributions to the Siemens Healthineers BSAV pension plan amounted to €1.1 million (2019: €0.9 million). Thus, compensation and benefits granted in fiscal year 2020 amounted to €7.4 million (2019: €8.8 million). In fiscal year 2020, expenses related to share-based payment amounted to €2.4 million (2019: €2.0 million).

As of September 30, 2020, the defined benefit obligation for pension commitments to former members of the Managing Board and its surviving dependents amounted to €0.7 million.

Compensation attributable to members of the Supervisory Board comprised a base compensation and additional compensation for committee work, and amounted (including meeting fees) to €1.2 million in fiscal year 2020 (2019: €1.1 million).

Information regarding the individual compensation of the members of the Managing Board and Supervisory Board of Siemens Healthineers AG is disclosed in chapter → ***A.8 Compensation report*** in the combined management report.

In fiscal years 2020 and 2019, no other major transactions took place between Siemens Healthineers and the members of the Managing Board and Supervisory Board. Some Managing Board and Supervisory Board members hold, or in the past year have held, positions of significant responsibility with other entities. Siemens Healthineers has relationships with many of these entities in the ordinary course of business.

Managing Board and Supervisory Board of Siemens AG
As of September 30, 2020 and 2019, Siemens Healthineers has been controlled by its ultimate parent company Siemens AG. Therefore, the members of the Managing Board and the Supervisory Board of Siemens AG were regarded as key management. Information about Siemens AG's Managing Board and Supervisory Board is included in the Siemens Group's publicly available annual report.

Note 32 Principal accountant fees and services

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

	Fiscal year	
(in millions of €)	**2020**	**2019**
Audit services	6.6	6.6
Other attestation services	0.3	0.3
Total principal accountant fees	**6.8**	**6.9**

In fiscal year 2020, 42% (2019: 40%) of the total fees related to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Germany. Audit services related primarily to services provided by EY for auditing Siemens Healthineers' consolidated financial statements, for auditing financial statements of Siemens Healthineers AG and its subsidiaries, for reviews of interim financial statements being integrated into the audit and for project-accompanying IT audits. Other attestation services included mainly other attestation services required by law, contractually agreed or requested on a voluntary basis.

Note 33 Corporate Governance

The Managing Board and the Supervisory Board of Siemens Healthineers AG provided the declaration required by Section 161 of the German Stock Corporation Act ("Aktiengesetz") as of September 30, 2020. The declaration is available on the Group's website at → ***www.corporate.siemens-healthineers.com/investor-relations/corporate-governance***.

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

Sept 30, 2020	Equity interest in %
Subsidiaries	
Germany (15 companies)	
Befund24 GmbH, Erlangen	85
Dade Behring Grundstücks GmbH, Kemnath	94
NEO New Oncology GmbH, Cologne	100 [8]
Siemens Healthcare Diagnostics Products GmbH, Marburg	100 [8]
Siemens Healthcare GmbH, Munich	100 [8]
Siemens Healthineers Beteiligungen GmbH & Co. KG, Röttenbach	100 [7]
Siemens Healthineers Beteiligungen Verwaltungs-GmbH, Röttenbach	100 [5]
Siemens Healthineers Holding I GmbH, Röttenbach	100
Siemens Healthineers Innovation GmbH & Co. KG, Röttenbach	100 [7]
Siemens Healthineers Innovation Verwaltungs-GmbH, Röttenbach	100 [5]
Siemens Medical Solutions Health Services GmbH, Grünwald	100
Siemens Real Estate GmbH & Co. KG, Kemnath	94 [7]
Siemens Real Estate Management GmbH, Kemnath	100 [5]
Zeleni Holding GmbH, Kemnath	100
Zeleni Real Estate GmbH & Co. KG, Kemnath	100 [7]
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (51 companies)	
Fast Track Diagnostics Ltd, Sliema/Malta	100
FAST TRACK DIAGNOSTICS LUXEMBOURG S.à r.l., Esch-sur-Alzette/Luxembourg	100
FAST TRACK DIAGNOSTICS RESEARCH LIMITED, Dunblane/United Kingdom	100
FTD Europe Ltd, Sliema/Malta	100
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69
PETNET Solutions SAS, Lisses/France	100
Siemens Healthcare (Private) Limited, Lahore/Pakistan	100
Siemens Healthcare A/S, Ballerup/Denmark	100
Siemens Healthcare AB, Solna/Sweden	100
Siemens Healthcare AG, Zurich/Switzerland	100
Siemens Healthcare AS, Oslo/Norway	100
Siemens Healthcare d.o.o. Beograd, Belgrade/Serbia	100
Siemens Healthcare d.o.o., Ljubljana/Slovenia	100
Siemens Healthcare d.o.o., Zagreb/Croatia	100

Sept 30, 2020	Equity interest in %
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	100
Siemens Healthcare Diagnostics Ltd., Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Manufacturing Limited, Swords, County Dublin/Ireland	100
Siemens Healthcare Diagnostics Manufacturing Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Products Ltd, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Employee Share Ownership Trust, Midrand/South Africa	0 [3]
Siemens Healthcare EOOD, Sofia/Bulgaria	100
Siemens Healthcare FZ LLC, Dubai/United Arab Emirates	100
SIEMENS HEALTHCARE INDUSTRIAL AND COMMERCIAL SINGLE MEMBER SOCIETE ANONYME, Chalandri/Greece	100
Siemens Healthcare Kft., Budapest/Hungary	100
Siemens Healthcare L.L.C., Dubai/United Arab Emirates	49 [2]
SIEMENS HEALTHCARE LIMITED LIABILITY COMPANY, Kiev/Ukraine	100
Siemens Healthcare Limited Liability Company, Moscow/Russian Federation	100
Siemens Healthcare Limited Liability Partnership, Almaty/Kazakhstan	100
Siemens Healthcare Limited, Frimley, Surrey/United Kingdom	100
Siemens Healthcare Limited, Riyadh/Saudi Arabia	51
Siemens Healthcare Logistics LLC, Cairo/Egypt	100
Siemens HealthCare Ltd., Rosh HaAyin/Israel	100
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100
Siemens Healthcare NV, Beersel/Belgium	100
Siemens Healthcare Oy, Espoo/Finland	100
Siemens Healthcare Proprietary Limited, Halfway House/South Africa	75
Siemens Healthcare S.A.E., Cairo/Egypt	100
Siemens Healthcare S.R.L., Bucharest/Romania	100
Siemens Healthcare S.r.l., Milan/Italy	100
Siemens Healthcare s.r.o., Bratislava/Slovakia	100
Siemens Healthcare Saglik Anonim Sirketi, Istanbul/Turkey	100
Siemens Healthcare SARL, Casablanca/Morocco	100
Siemens Healthcare SAS, Saint-Denis/France	100
Siemens Healthcare Sp. z o.o., Warsaw/Poland	100
SIEMENS HEALTHCARE, S.L.U., Getafe/Spain	100

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

Sept 30, 2020	Equity interest in %
Siemens Healthcare, s.r.o., Prague/Czech Republic	100
SIEMENS HEALTHCARE, UNIPESSOAL, LDA, Amadora/Portugal	100
Siemens Healthineers Holding III B.V., The Hague/Netherlands	100
Siemens Healthineers Nederland B.V., The Hague/Netherlands	100
Siemens Medicina d.o.o., Sarajevo/Bosnia and Herzegovina	100
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
Americas (28 companies)	
Corindus, Inc., Wilmington, DE/United States	100
Dade Behring Hong Kong Holdings Corporation, Tortola/British Virgin Islands	100
Dedicated2Imaging LLC, Wilmington, DE/United States	80
ECG Acquisition, Inc., Wilmington, DE/United States	100
ECG TopCo Holdings, LLC, Wilmington, DE/United States	75
EPOCAL INC., Toronto/Canada	100
Executive Consulting Group, LLC, Wilmington, DE/United States	100
Falcon Sub Inc., Wilmington, DE/United States	100 [5]
P.E.T.NET Houston, LLC, Austin, TX/United States	51
PETNET Indiana, LLC, Indianapolis, IN/United States	50 [1]
PETNET Solutions Cleveland, LLC, Wilmington, DE/United States	63
PETNET Solutions, Inc., Knoxville, TN/United States	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	100
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100
Siemens Healthcare Laboratory, LLC, Wilmington, DE/United States	100
Siemens Healthcare Limited, Oakville/Canada	100
Siemens Healthcare S.A., Buenos Aires/Argentina	100
Siemens Healthcare S.A., Caracas/Venezuela	100 [5]
Siemens Healthcare S.A.C., Surquillo/Peru	100
Siemens Healthcare S.A.S., Tenjo/Colombia	100
Siemens Healthcare Servicios S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare, Sociedad Anonima, Antiguo Cuscatlán/El Salvador	100
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	100

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

Sept 30, 2020	Equity interest in %
Siemens S.A., Montevideo/Uruguay	100
Siemens-Healthcare Cia. Ltda., Quito/Ecuador	100
Asia, Australia (27 companies)	
Acrorad Co., Ltd., Okinawa/Japan	96
Fast Track Diagnostics Asia Private Limited, New Delhi/India	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., Mumbai/India	100
PT Siemens Healthineers Indonesia, Jakarta/Indonesia	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai/China	100
Siemens Healthcare Inc., Manila/Philippines	100
Siemens Healthcare K.K., Tokyo/Japan	100
Siemens Healthcare Limited, Auckland/New Zealand	100
Siemens Healthcare Limited, Bangkok/Thailand	100
Siemens Healthcare Limited, Ho Chi Minh City/Vietnam	100
Siemens Healthcare Limited, Hong Kong/Hong Kong	100
Siemens Healthcare Limited, Taipei/Taiwan, Province of China	100
Siemens Healthcare Ltd., Dhaka/Bangladesh	100
Siemens Healthcare Private Limited, Mumbai/India	100
Siemens Healthcare Pte. Ltd., Singapore/Singapore	100
Siemens Healthcare Pty. Ltd., Melbourne/Australia	100
Siemens Healthcare Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Healthineers Diagnostics (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers Digital Technology (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers India LLP, Bangalore/India	100
Siemens Healthineers Ltd., Seoul/Korea	100
Siemens Healthineers Ltd., Shanghai/China	100
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	100
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	100
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	90
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	100
Joint ventures and associates	
Germany (2 companies)	
MeVis BreastCare GmbH & Co. KG, Bremen	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49 [6]

[6] Not accounted for using the equity method due to immateriality.
[7] Exemption pursuant to Section 264b of the German Commercial Code.
[8] Exemption pursuant to Section 264 (3) of the German Commercial Code.
[9] Values according to the latest available local GAAP financial statements; the underlying fiscal year differs from the Siemens Healthineers fiscal year.

Sept 30, 2020	Equity interest in %
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (4 companies)	
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31
Meomed s.r.o., Prerov/Czech Republic	47 [6]
Screenpoint Medical B.V., Nijmegen/Netherlands	21
TRIXELL SAS, Moirans/France	25

Sept 30, 2020	Equity interest in %
Americas (2 companies)	
PhSiTh LLC, New Castle, DE/United States	33
USARAD Holdings, Inc., Fort Lauderdale, FL/United States	30 [6]
Asia, Australia (1 company)	
Xi'An X-Ray Target Ltd., Xi'an/China	43 [6]

Sept 30, 2020	Equity interest in %	Net income in millions of €	Equity in millions of €
Other Investments			
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (1 company)			
Medical Systems S.p.A., Genoa/Italy [9]	45 [4]	1	110
Americas (1 company)			
Imricor Medical Systems, Inc., Dover, DE/United States [9]	7	−11	6

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[4] No significant influence due to contractual arrangements or legal circumstances.
[5] Not consolidated due to immateriality.
[6] Not accounted for using the equity method due to immateriality.
[7] Exemption pursuant to Section 264b of the German Commercial Code.
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[9] Values according to the latest available local GAAP financial statements; the underlying fiscal year differs from the Siemens Healthineers fiscal year.

C.
Additional information

C.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group's management report, which has been combined with the management report for Siemens Healthineers AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Munich, November 19, 2020

Siemens Healthineers AG
The Managing Board

B. Montag
Dr. Bernhard Montag

J. Schmitz
Dr. Jochen Schmitz

C. Zindel
Dr. Christoph Zindel

C.2 Independent auditor's report

To Siemens Healthineers AG, Munich

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

Opinions

We have audited the consolidated financial statements of Siemens Healthineers AG, Munich, and its subsidiaries (the Group), which comprise the consolidated statements of income and comprehensive income for the fiscal year from October 1, 2019 to September 30, 2020, the consolidated statements of financial position as of September 30, 2020, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2019 to September 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Siemens Healthineers AG, which is combined with the management report of Siemens Healthineers AG, for the fiscal year from October 1, 2019 to September 30, 2020. In accordance with the German legal requirements we have not audited the content of chapter ***→A.7.4 Corporate Governance statement*** of the Combined Management Report, including chapter ***→C.4.2 Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code*** of the Annual Report 2020 referred to in chapter ***→A.7.4 Corporate Governance statement.***

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

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] as well as with full IFRSs as issued by the International Accounting Standards Board (IASB), and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of September 30, 2020 and of its financial performance for the fiscal year from October 1, 2019 to September 30, 2020, and
- the accompanying group management report, as a whole, provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the Corporate Governance statement referred to above.

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). In conducting the audit of the consolidated financial statements we also complied with International Standards on Auditing (ISA). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from October 1, 2019 to September 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

Revenue recognition

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

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

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

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

Testing impairment of goodwill ("Diagnostics") and capitalized development costs

Reasons why the matter was determined to be a key audit matter: Testing impairment for goodwill allocated to the "Diagnostics" cash-generating unit and capitalized development costs involves considerable judgment in estimating future cash flows and discount rates. Estimation uncertainty in relation to future net cash flows particularly exists due to the impact of COVID-19 pandemic. Consequently, the testing of goodwill ("Diagnostics") and capitalized development costs for impairment was a key audit matter.

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

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

Our audit procedures did not lead to any reservations relating to the testing of impairment of goodwill allocated to the "Diagnostics" cash-generating unit and capitalized development costs.

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

Business combinations ("Corindus")

Reasons why the matter was determined to be a key audit matter: On October 29, 2019, the merger of Siemens Healthineers with Corindus Vascular Robotics, Inc., USA ("Corindus"), was completed. Siemens Healthineers holds 100% of the shares and accounts for the business combination in accordance with IFRS 3, Business Combinations. Considering the assumptions and estimates required to be made by management as part of the purchase price allocation, specifically with regard to the measurement of acquired technology, the accounting for this business combination was a key audit matter.

Auditor's response: Our audit procedures in relation to the purchase price allocation included, in addition to assessing the consideration transferred by Siemens Healthineers, the evaluation of the methodology applied by the external valuation expert engaged by management to identify and measure the assets acquired under IFRS 3. Based on inquiries of management and the external expert, we evaluated whether the external valuation report qualifies as audit evidence. With the assistance of internal valuation specialists, we analyzed whether assumptions and estimates (specifically growth rates, cost of capital, royalty rates and remaining useful lives) used in determining the fair values of identifiable assets acquired (specifically acquired technology) correspond to general and industry-specific market expectations. For the assessment of recognition and measurement of acquired technology, we additionally utilized the expertise of internal industry specialists. Furthermore, we reperformed the calculations in the valuation models and reconciled the expected future cash flows underlying the impairment tests, amongst others, to internal business plans. In addition, we evaluated the disclosures in the notes to the consolidated financial statements regarding the acquisition of Corindus in terms of their compliance with the requirements defined in IFRS 3.

Our audit procedures did not lead to any reservations relating to the accounting for the Corindus business combination.

Reference to related disclosures: With regard to the recognition and measurement policies applied in connection with the business combination refer to → ***Note 2 Accounting policies*** in the notes to the consolidated financial statements. A description of the transaction and disclosures on the purchase price allocation are included in → ***Note 3 Acquisitions*** in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in the Annual Report 2020. In all other respects, management is responsible for the other information.

The other information, of which we received a version prior to issuing this auditor's report, includes:

- the Responsibility Statement in chapter → ***C.1 Responsibility statement*** of the Annual Report 2020,
- the Report of the Supervisory Board in chapter → ***C.3 Report of the Supervisory Board*** of the Annual Report 2020,
- Corporate Governance in chapter → ***C.4 Corporate Governance*** of the Annual Report 2020, and
- Notes and forward-looking statements in chapter → ***C.5 Notes and forward-looking statements*** of the Annual Report 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

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

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

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

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

Other legal and regulatory requirements

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

We were elected as group auditor by the Annual Shareholders' Meeting on February 12, 2020. We were engaged by the Supervisory Board on March 3, 2020. We have been the group auditor of Siemens Healthineers AG without interruption since the fiscal year from October 1, 2017 to September 30, 2018.

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

German Public Auditor responsible for the engagement

The German public auditor responsible for the engagement is Thomas Spannagl.

Munich, November 19, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl	Tropschug
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

C.3 Report of the Supervisory Board

Dear Shareholders,

In 2020, the relevance of Siemens Healthineers for society became more apparent than ever before. Since the COVID-19 pandemic began, the Company's employees have stood on the front line together with their customers' medical personnel to jointly implement measures to fight COVID-19 and at the same time to maintain regular operations in the clinics. Their common goal was, and remains, to provide patients with the very best care while simultaneously protecting themselves against infection. From diagnosis to follow-up care, the portfolio of Siemens Healthineers is linked to the entire sequence of treatment for COVID-19 patients. This is just one aspect underscoring the critical role that Siemens Healthineers plays in healthcare worldwide. What is more, in the third year after the IPO, the Company has made increasing use of its entrepreneurial independence to operationally and strategically develop further alongside the goals it set for itself: the planned acquisition of Varian Medical Systems, Inc. will make Siemens Healthineers a leading provider of cancer therapies and will contribute to improve success rates for the millions of patients battling this disease. I am convinced that the societal relevance of Siemens Healthineers will continue to increase. In my capacity as Chairman of the Supervisory Board, I view it as my obligation to provide this great Company with advice and support as it grows. This is a task that I perform with conviction, pleasure and dedication.

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

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

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

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

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

Topics at the plenary meetings of the Supervisory Board

The Supervisory Board held seven regular meetings and one extraordinary meeting in fiscal year 2020 and adopted two resolutions by written circulation. Topics of discussion at our regular plenary meetings were the net assets, financial position and results of operations of Siemens Healthineers, together with its workforce development.

After in-depth consultations at our meeting of October 10, 2019, we approved the Managing Board's medium-term plan and budget for 2020, and examined in this context the second phase (upgrading) of Strategy 2025.

At the meeting on October 31, 2019, we discussed the key financial data for the fourth quarter and for fiscal year 2019. The Supervisory Board also determined the compensation for the members of the Managing Board for fiscal year 2019 on the basis of the calculated target achievement. We also adopted the targets for the Managing Board's compensation for fiscal year 2020 on the basis of the proposal made by the Chairman's Committee.

On November 26, 2019, we dealt with the financial statements and combined management report for Siemens Healthineers AG and the Group for the year ended September 30, 2019; the report on relationships with affiliated companies as of September 30, 2019, pursuant to Section 312 of the German Stock Corporation Act ("Aktiengesetz"); the 2019 Annual Report, including the report of the Supervisory Board, the corporate governance report and the compensation report; and the agenda for the Shareholders' Meeting on February 12, 2020. In addition, we discussed the results of our own self-assessment.

At the meeting on January 31, 2020, the Managing Board reported on the net assets, financial position and results of operations as of the end of the first quarter. We also discussed the Annual Shareholders' Meeting 2020.

Directly after the Annual Shareholders' Meeting on February 12, 2020, a meeting of the Supervisory Board took place at which we adopted amendments to both the Supervisory Board's own bylaws and those of the Managing Board. We also passed resolutions regarding the composition of the Innovation and Finance Committee and the creation of a committee to handle transactions with related parties (Related-Party Transactions Committee).

At the meeting on May 4, 2020 we unanimously approved the reappointments of the Managing Board members Dr. Bernhard Montag (CEO) and Dr. Jochen Schmitz (CFO), both with effect from March 1, 2021, until February 28, 2026. Furthermore, the Managing Board reported to us on the net assets, financial position and results of operations as of the end of the second quarter, including the effects of the COVID-19 pandemic. In view of the new requirements of the Act Implementing the Second Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – ARUG II) and of the thoroughly revised GCGC, we also dealt with questions regarding the compensation paid to members of the Managing Board and with the concept for a new compensation system for the Managing Board. In this context, we also examined the appropriateness review performed by an external compensation expert. That review came to the conclusion that the Managing Board's existing and planned compensation is appropriate when compared both with the market (horizontally) and with the compensation paid elsewhere within the company (vertically).

Our meeting of July 31, 2020 focused on the planned acquisition of Varian Medical Systems, Inc., which we approved unanimously following detailed discussions. Particular factors of relevance in granting our approval were the transaction's considerable potential to add value and create a highly integrated portfolio for the global battle against cancer. During the same meeting, we also dealt with the new sustainability strategy and the associated materiality analysis to determine sustainability issues of relevance. In addition to reviewing the Managing Board's report on the Company's net assets, financial position and results of operations on conclusion of the third quarter, we also examined the new provisions of the thoroughly revised German Corporate Governance Code which came into force on March 20, 2020. The new Code also included key changes as regards the composition of the Supervisory Board, with particular emphasis on the independence of the individual members. Against this backdrop, and after in-depth discussions, we adopted our revised profile of required skills and expertise, and adapted our goals in relation to the composition of the Supervisory Board.

One focus of debate at our extraordinary meeting of September 14, 2020, was improvements to our compensation system for Managing Board members. On the recommendation of the Chairman's Committee of the Supervisory Board, we adopted amendments to that system, which will be submitted to the Annual Shareholders' Meeting for approval. We also dealt with the latest Declaration of Conformity with the GCGC, prepared in accordance with Section 161 of the German Stock Corporation Act.

Work in the Supervisory Board committees

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

The ***Chairman's Committee*** met 14 times in the reporting period (seven of these were extraordinary). It also adopted two resolutions by written circulation. Between meetings, the Chairman of the Supervisory Board discussed topics of major importance with the members of the Chairman's Committee. The Chairman's Committee dealt, in particular, with personnel matters such as the regular reappointment of two members of the Managing Board, long-term succession planning for the Managing Board, compensation for the Managing Board, the Managing Board members' acceptance of offices at other institutions, and corporate governance issues. Special emphasis was placed on the compensation system of the Managing Board with regard to the requirements of ARUG II and the GCGC. Furthermore, the Chairman's Committee was involved in the implementation of a capital increase to finance the planned acquisition of Varian Medical Systems, Inc. In the process, the Chairman's Committee either adopted resolutions itself or prepared resolutions for the Supervisory Board. The Committee also prepared the Supervisory Board's proposal to the Annual Shareholders' Meeting for the election of one shareholder representative to the Supervisory Board.

The ***Innovation and Finance Committee*** met twice during the reporting period. Its work focused mainly on the preparation of the budget approval by the Supervisory Board and the discussion of the Company's innovation strategy with particular emphasis on molecular diagnostics. The Committee discussed thoroughly the investment in an innovation hub that will be housed in a new campus at Bengaluru, India. It will combine the existing operations of the Research and Development Center and the state-of-the-art manufacturing of medical imaging systems. The Committee approved this promising digital project in the growth market of India following intense discussion.

The ***Audit Committee*** held five meetings during the reporting period. Together with the Managing Board and the independent auditors, the committee discussed the annual financial statements, consolidated financial statements and combined management report for Siemens Healthineers AG and the Group for fiscal year 2019, and the half-year financial report and quarterly statements for fiscal year 2020. In the presence of the independent auditors, the Audit Committee also discussed the audit reports on the annual financial statements, the consolidated financial statements and the combined management report, and the report on the auditors' review of the Group's half-year consolidated financial statements and of the interim Group management report. The committee engaged the independent auditors to audit the annual and consolidated financial statements for fiscal year 2020 and to review the interim financial statements and financial information; it defined the focal points for the audits and determined the auditors' fee. The committee monitored the selection, independence, qualification, rotation and efficiency of the independent auditors. The Audit Committee also dealt with the Company's accounting and accounting process, the effectiveness of the risk management and internal control systems, the effectiveness, resources, findings and audit plan for the internal audit, and also the reports concerning compliance, regulatory compliance, and potential and pending legal disputes.

The ***Related-Party Transactions Committee*** was newly established on February 12, 2020 and convened once during the reporting period to discuss the planned financing for the acquisition of Varian Medical Systems, Inc. Specifically, we spoke of a bridge facility that a Siemens AG subsidiary was to provide transitionally to Siemens Healthineers and of a hedging transaction with Siemens AG and a related guarantee for the benefit of Siemens AG. The Related-Party Transactions Committee granted its approval to the financing arrangements having assured itself that the conditions are in line with market conditions.

For the fiscal year overall, the participation rate of members in meetings of the Supervisory Board and its committees was approximately 97%.

Personalized disclosure of the individual Supervisory Board members' attendance rates

(Number of meetings/participation in %)	Supervisory Board (plenary meetings)		Chairman´s Committee		Audit Committee		Innovation and Finance Committee		Related-Party Transactions Committee	
	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %
Prof. Dr. Ralf P. Thomas Chairman	8/8	100	11/11	100	5/5	100	1/1	100		
Dr. Norbert Gaus Deputy Chairman	8/8	100	14/14	100			2/2	100		
Dr. Roland Busch (since 12.02.2020)	4/4	100								
Dr. Marion Helmes	8/8	100			5/5	100			1/1	100
Dr. Andreas C. Hoffmann	8/8	100	14/14	100	5/5	100			1/1	100
Michael Sen (until 12.02.2020)	2/4	50	2/3	67	1/3	33	1/1	100		
Dr. Philipp Rösler	8/8	100								
Dr. Nathalie von Siemens	8/8	100								
Dr. Gregory Sorensen	8/8	100					2/2	100		
Karl-Heinz Streibich	8/8	100					2/2	100	1/1	100
		97		**98**		**89**		**100**		**100**

Corporate Governance

The Declaration of Conformity with the German Corporate Governance Code adopted on September 30, 2020, was made permanently available to shareholders on the Company's website. It can also be found in → ***C.4 Corporate Governance***.

We regularly monitor the application and ongoing development of our system of corporate governance. Detailed information on corporate governance at the Company, including the composition of the Supervisory Board, can be found in → ***C.4.2 Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code***.

Audit of the annual and consolidated financial statements discussed in detail

The independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (Stuttgart, Germany), audited the annual financial statements of Siemens Healthineers AG, the consolidated financial statements of Siemens Healthineers and the combined management report for Siemens Healthineers AG and the Group for fiscal year 2020 and issued an unqualified opinion. The annual financial statements of Siemens Healthineers AG and the combined management report for Siemens Healthineers AG and the Group were prepared in accordance with the requirements of German law. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the additional requirements of German law set out in

Section 315e (1) of the German Commercial Code ("Handelsgesetzbuch"). The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board (IASB). The independent auditors conducted their audit in accordance with Section 317 of the German Commercial Code, the EU Audit Regulation and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), as well as in supplementary compliance with the International Standards on Auditing (ISA). The aforementioned documents, as well as the Managing Board's proposal for the appropriation of net income, were submitted to us in advance by the Managing Board. The Audit Committee discussed the dividend proposal in detail at its meeting on October 30, 2020. It discussed the annual financial statements, the consolidated financial statements and the combined management report in detail at its meeting on November 20, 2020. In this context, the Audit Committee concerned itself, in particular, with key audit matters as described in the independent auditors' report, including the audit procedures implemented. The auditors' reports were presented to all members of the Supervisory Board. We reviewed these reports comprehensively at our meeting on November 20, 2020, in the presence of the independent auditors The independent auditors reported on the scope, focal points and main findings of their audit, addressing, in particular, key audit matters and the audit procedures implemented. No major weaknesses in the risk management or internal control systems were reported. At the same meeting, the Managing Board explained the financial statements of Siemens Healthineers AG and the Group as well as the risk management system. Another topic addressed at this meeting was the quality evaluation of the audit of the financial statements. The Audit Committee performed an evaluation based on previously determined audit quality indicators. On the basis of this evaluation, the Supervisory Board approved the proposal to be submitted to the Annual Shareholders' Meeting regarding the election of the independent auditors, taking into account the Audit Committee's recommendation.

The Supervisory Board concurs with the results of the audit. Based on the definitive results of the Audit Committee's preliminary examination and our own examination, we have no objections. The Managing Board prepared the annual financial statements and the consolidated financial statements. We approved the annual financial statements and the consolidated financial statements. In view of our approval, the annual financial statements of Siemens Healthineers AG are adopted as submitted. The Managing Board has proposed that the net income available for distribution be used to pay out a dividend of €0.80 per share entitled to a dividend and that the amount of net income attributable to shares of stock not entitled to receive a dividend for the past fiscal year be carried forward. We have endorsed this proposal.

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

As of the end of the fiscal year, Siemens AG (directly and indirectly) held 79% of the issued capital of Siemens Healthineers AG. Siemens Healthineers AG is included as a fully consolidated subsidiary in Siemens AG's consolidated financial statements.

For that reason, the Managing Board of Siemens Healthineers AG prepared a report on relationships with affiliated companies (dependent company report) for the fiscal year 2020 in accordance with Section 312 of the German Stock Corporation Act, and submitted it in good time to the Supervisory Board. The dependent company report was audited by the independent auditors. Since, on the basis the final results of the audit, no objections were raised, the independent auditors issued the following audit opinion in accordance with Section 313 (3) of the German Stock Corporation Act: "Based on our audit and assessment, which were carried out in accordance with professional standards, we confirm that (1.) the factual statements made in the report are correct, (2.) the payments made by the Company in connection with legal transactions detailed in the report were not unreasonably high, (3.) there are no circumstances that would require a materially different assessment of the measures listed in the report than that of the Managing Board."

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

Changes in the composition of the Supervisory and Managing Boards

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

Supervisory Board

Mr. Michael Sen resigned from the Supervisory Board with effect from the end of the Annual Shareholders' Meeting on February 12, 2020.

The Annual Shareholders' Meeting elected Dr. Roland Busch as a new member of the Supervisory Board with effect from the end of the Annual Shareholders' Meeting on February 12, 2020, until the end of the Annual Shareholders' Meeting to resolve on the ratification of actions for the fourth fiscal year after the beginning of the term of office. In the Supervisory Board meeting directly following the Annual Shareholders' Meeting on February 12, 2020, he was elected as a member of the Innovation and Finance Committee. Having held positions of responsibility for many years at Siemens AG, Dr. Busch can contribute both valuable experience and company-specific expertise. During his inauguration process, he talked in person to the Chairman of the Supervisory Board, the Chief Executive Officer and other key persons within the Company.

Further Supervisory Board changes occurred in the reporting period. I took over from Mr. Michael Sen as Chairman of the Supervisory Board on December 1, 2019. I also took over the chair of the Innovation and Finance Committee from Mr. Michael Sen. My position as chair of the Audit Committee was filled by Dr. Andreas C. Hoffmann on February 1, 2020. Dr. Marion Helmes was appointed chair of the newly established Related-Party Transactions Committee as of February, 12, 2020.

Managing Board

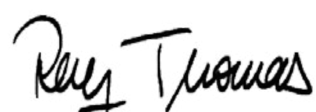
Mr. Michael Reitermann resigned from the Managing Board, effective September 30, 2019. Dr. Christoph Zindel was appointed member of the Managing Board with effect from October 1, 2019 until September 30, 2022.

During the reporting period, we also unanimously approved the reappointments of Dr. Bernhard Montag as member of the Managing Board and Chief Executive Officer and Dr. Jochen Schmitz as member of the Managing Board and Chief Financial Officer, both with effect from March 1, 2021, until February 28, 2026.

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

Munich, November 20, 2020

For the Supervisory Board



Prof. Dr. Ralf P. Thomas
Chairman

C.4 Corporate Governance

C.4.1 Management and control structure

Siemens Healthineers AG is subject to German stock corporation law. It therefore has a two-tier board structure, consisting of a Managing Board and a Supervisory Board.

C.4.1.1 Managing Board

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

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

The Managing Board and the Supervisory Board cooperate closely for the Company's benefit. The Managing Board informs the Supervisory Board regularly, comprehensively, and without delay on all issues of importance to the Company with regard to strategy, planning, business development, the risk situation, risk management, and compliance. When filling managerial positions at the Company, the Managing Board takes diversity into consideration and, in particular, aims for an appropriate consideration of women and internationality.

The Supervisory Board has defined a target for the share of women on the Managing Board of Siemens Healthineers AG, and has set a deadline for its attainment. The Managing Board has defined a target for the share of women at the management level immediately below the Managing Board, and has set a deadline for its attainment. The details are presented in ➔***C.4.2.4 Targets for the share of women on the Managing Board and at the management level immediately below the Managing Board; target for the share of women on the Supervisory Board***.

Information on the areas of responsibility and the curricula vitae of the members of the Managing Board are available on the Company's website at ➔***www.corporate.siemens-healthineers.com/about/management***. Information on the compensation paid to members of the Managing Board is provided in section ➔***A.8 Compensation report***.

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

In fiscal year 2020 the Managing Board comprised the following members:

Name	Year of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises: External positions (as of September 30, 2020)	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises: Group company positions (as of September 30, 2020)
Dr. Bernhard Montag Chief Executive Officer	1969	2018	2026	None	None
Dr. Jochen Schmitz	1966	2018	2026	**German positions:** • Universitätsklinikum Augsburg	None
Dr. Christoph Zindel	1961	2019	2022	None	None

C.4.1.2 Supervisory Board

The Supervisory Board oversees and advises the Managing Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy, and strategy implementation. It reviews the annual financial statements of Siemens Healthineers AG, the consolidated financial statements, and the combined management report, as well as the proposal for the appropriation of net income. It approves the annual financial statements of Siemens Healthineers AG as well as the consolidated financial statements, based on the results of the preliminary review conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Managing Board's proposal for the appropriation of net income and the Report of the Supervisory Board to the Annual Shareholders' Meeting. In addition, the Supervisory Board or the Audit Committee, as appropriate, concerns itself with monitoring the Company's compliance with the requirements of legislation, government regulations, and internal Company guidelines. The Supervisory Board also appoints the members of the Managing Board and determines each member's business responsibilities. Important Managing Board decisions – such as those regarding major acquisitions, divestments, investments in property, plant, and equipment, or financial measures – are subject to Supervisory Board approval, unless the bylaws for the Supervisory Board specify that such authority is delegated to one of the Supervisory Board committees. In the bylaws for the Managing Board, the Supervisory Board has established the rules that govern the Managing Board's work.

Detailed information on the work of the Supervisory Board is provided in →***C.3 Report of the Supervisory Board***. The curricula vitae of the members of the Supervisory Board are available on the Company's website at →***www.corporate.siemens-healthineers.com/about/supervisory-board***. Information on the compensation paid to the members of the Supervisory Board is provided in →***A.8 Compensation report***.

The Supervisory Board of Siemens Healthineers AG has nine members. It is composed entirely of shareholder representatives. The terms of office of the members of the Supervisory Board who were appointed in 2018 will expire at the conclusion of the Annual Shareholders' Meeting in 2023. The term of office of the member of the Supervisory Board who was appointed in 2020 will expire at the conclusion of the Annual Shareholders' Meeting in 2025.

Citing Section 98 of the German Stock Corporation Act, a shareholder petitioned Munich Regional Court I for a declaratory judgment that the German Co-Determination Act must be applied in appointing the Supervisory Board. The court issued a decision confirming that the Supervisory Board was properly formed in its current composition, with representatives of shareholders only.

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

In fiscal year 2020 the Supervisory Board comprised the following members:

Name	Occupation	Year of birth	Member since	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises (as of September 30, 2020)
Prof. Dr. Ralf P. Thomas Chairman	Member of the Managing Board of Siemens Aktiengesellschaft (Chief Financial Officer)	1961	2018	**German positions:** • Siemens Energy AG • Siemens Gas and Power Management GmbH • Siemens Healthcare GmbH (Chairman) **Positions outside Germany:** • Siemens Proprietary Ltd., South Africa
Dr. Norbert Gaus Deputy Chairman	Executive Vice President Corporate Technology of Siemens Aktiengesellschaft	1961	2018	**German positions:** • Siemens Healthcare GmbH
Dr. Roland Busch (since 12.02.2020)	Member of the Managing Board of Siemens Aktiengesellschaft (Deputy Chief Executive Officer)	1964	2020	**German positions:** • ESMT European School of Management and Technology GmbH • Siemens Mobility GmbH (Chairman) **Positions outside Germany:** • Arabia Electric Ltd. (Equipment), Saudi Arabia • Siemens Ltd., Saudi Arabia • Siemens W.L.L., Qatar
Dr. Marion Helmes	Supervisory board member	1965	2018	**German positions:** • ProSiebenSat.1 Media SE (Vice Chairwoman) **Positions outside Germany:** • British American Tobacco p.l.c., United Kingdom • Heineken N.V., The Netherlands
Dr. Andreas C. Hoffmann	General Counsel of Siemens Aktiengesellschaft	1964	2018	**German positions:** • Siemens Healthcare GmbH **Positions outside Germany:** • Siemens Ltd., China
Dr. Philipp Rösler	Supervisory board member	1973	2018	**German positions:** • Brainloop AG **Positions outside Germany:** • Fortum Corporation, Finland • Loc Troi Group, Vietnam
Michael Sen (until 12.02.2020) as of 12.02.2020	Member of the Managing Board of Siemens Aktiengesellschaft	1968	2018	**Positions outside Germany:** • Siemens Gamesa Renewable Energy, S.A., Spain
Dr. Nathalie von Siemens	Supervisory board member	1971	2018	**German positions:** • Messer Group GmbH • Siemens Aktiengesellschaft • Siemens Healthcare GmbH • TÜV SÜD AG
Dr. Gregory Sorensen	Founder and CEO of DeepHealth, Inc. (artificial intelligence division of RadNet, Inc.) and Executive Chairman of IMRIS (Deerfield Imaging, Inc.)	1962	2018	**Positions outside Germany:** • Fusion Healthcare Staffing, LLC, USA • Invicro, LLC, USA • DFP Healthcare Acquisitions Corp., USA
Karl-Heinz Streibich	President of acatech – Deutsche Akademie der Technikwissenschaften	1952	2018	**German positions:** • Deutsche Telekom AG • Münchener Rückversicherungs-Gesellschaft AG • Software AG (Chairman)

Targets for the Supervisory Board's composition and profile of required skills and expertise

Taking into account the recommendations of the German Corporate Governance Code ("GCGC"), the Supervisory Board has adopted targets for its composition, including a profile of the skills and expertise that the Supervisory Board should possess; these are described in ➔***C.4.2.6 Targets for the composition, profile of required skills and expertise, and diversity concept for the Supervisory Board***.

Supervisory Board committees

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

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

In fiscal year 2020, the Chairman's Committee had the following members: Prof. Ralf P. Thomas, Dr. Nobert Gaus, Dr. Andreas C. Hoffmann, and Michael Sen (until February 12, 2020). On December 1, 2019, Prof. Thomas replaced Michael Sen as Chairman.

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

In fiscal year 2020, the Audit Committee had the following members: Dr. Andreas C. Hoffmann, Dr. Marion Helmes, Michael Sen (until February 12, 2020), and Prof. Ralf P. Thomas. On February 1, 2020, Dr. Hoffmann replaced Prof. Thomas as Chairman. The members of the Audit Committee are collectively familiar with the sector in which the Company operates. Pursuant to the German Stock Corporation Act, the Audit Committee must include at least one Supervisory Board member with knowledge and experience in the areas of accounting or the auditing of financial statements. Pursuant to the GCGC, the Chair of the Audit Committee should have specific knowledge and experience in applying accounting principles and internal control procedures and be familiar with audits of financial statements. This person should also be independent. Both the current Chairman of the Audit Committee, Dr. Andreas C. Hoffmann, and the previous Chairman of the Audit Committee, Prof. Ralf P. Thomas, fulfill these requirements, with the exception of the requirement of independence, as the GCGC does not view representatives of a controlling shareholder as independent.

The ***Innovation and Finance Committee*** particularly has the task, based on the Company's overall strategy, of discussing the innovation strategy and preparing the Supervisory Board's discussions and resolutions relating to the Company's financial situation and resources, as well as the Company's investments in property, plant, and equipment and its financial measures. In addition, the Innovation and Finance Committee has been authorized by the Supervisory Board to decide on the approval of transactions and measures that require Supervisory Board approval and have a value of less than €300 million. The Innovation and Finance Committee furthermore deals with Siemens Healthineers AG's corporate, brand and design image and that of its dependent companies, particularly its image as a Siemens company (the Siemens Brand), and is authorized by the Supervisory Board to decide on changes or other measures in this regard.

In fiscal year 2020, the Innovation and Finance Committee had the following members: Prof. Ralf P. Thomas (since December 1, 2019), Dr. Roland Busch (since February 12, 2020), Dr. Norbert Gaus, Michael Sen (until November 30, 2019), Dr. Gregory Sorensen, and Karl-Heinz Streibich. Prof. Thomas replaced Michael Sen as Chairman.

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

The Related-Party Transactions Committee was established as a new committee on February 12, 2020; it has three members, who are elected by the Supervisory Board. The majority of members of the committee, including the committee chairwoman, are individuals for whom there are no concerns about conflicts of interest due to their relations with related parties. In fiscal year 2020, the committee had the following members: Dr. Marion Helmes (Chairwoman), Dr. Andreas C. Hoffmann, and Karl-Heinz Streibich.

Self-evaluation of the work of the Supervisory Board

The Supervisory Board regularly evaluates how effectively the Supervisory Board as a whole and its committees discharge their duties. In fiscal year 2020, the Supervisory Board conducted a questionnaire-based self-evaluation. The self-evaluation focused on the Supervisory Board's supply of information, the conduct of meetings of the Supervisory Board and its committees, and the composition of the Supervisory Board and its committees.

C.4.1.3 Share transactions by members of the Managing and Supervisory Boards

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

C.4.1.4 Annual Shareholders' Meeting

Shareholders exercise their rights at the Annual Shareholders' Meeting. The ordinary Annual Shareholders' Meeting takes place within the first eight months of each fiscal year. The Annual Shareholders' Meeting decides, among other things, on the appropriation of unappropriated net income, the ratification of the acts of the Managing and Supervisory Boards, and the appointment of the independent auditors. Amendments to the Articles of Association and measures that change Siemens Healthineers AG's capital stock are approved by the Annual Shareholders' Meeting and are implemented by the Managing Board. The Managing Board facilitates shareholder participation in this meeting through electronic communications – in particular, via the Internet – and enables shareholders who are unable to attend the meeting to vote by proxy. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (absentee voting). The Managing Board may enable shareholders to participate in the Annual Shareholders' Meeting without the need to be present at the venue and without a proxy and to exercise some or all of their rights fully or partially by means of electronic communications. Shareholders may submit motions regarding the resolutions proposed by the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders' Meeting. Shareholders owning an aggregate value of €100,000 or more of the issued capital may also demand a court appointment of special auditors to examine specific issues. The reports, documents, and information required by law for the Annual Shareholders' Meeting, including the Annual Report, may be downloaded from our website. The same applies to the agenda for the Annual Shareholders' Meeting and to any opposing motions or shareholders' nominations that are required to be disclosed.

Pursuant to the German Act on Measures in Corporate, Cooperative, Association, Foundation, and Residential Property Law to Combat the Effects of the COVID-19 Pandemic (Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie), the Managing Board, subject to the approval of the Supervisory Board, may resolve that the Annual Shareholders' Meeting be held as a virtual annual shareholders' meeting without the physical presence of shareholders or their authorized representatives, if there is a video and audio broadcast of the entire meeting, shareholders can exercise their voting rights using electronic communication (absentee voting or electronic participation) and voting instructions can be issued to proxies, shareholders are given the option to ask questions using electronic communication, and shareholders who have exercised their voting rights are given the option to contest decisions of the Annual Shareholders' Meeting without having to appear at the Annual Shareholders' Meeting. The Managing Board decides at its due discretion to which questions it will respond and how; it may also specify that questions must be submitted by way of electronic communication by no later than two days before the meeting. The Managing Board may resolve, subject to the approval of the Supervisory Board, that, contrary to Section 175 (1) sentence 2 of the German Stock Corporation Act, the Annual Shareholders' Meeting take place in the course of the fiscal year. The provisions of the German Act on Measures in Corporate, Cooperative, Association, Foundation, and Residential Property Law to Combat the Effects of the COVID-19 Pandemic relating to the conduction of annual shareholders' meetings initially only applied to annual shareholders' meetings held in 2020. However, the Federal Ministry of Justice and Consumer Protection was authorized to extend the validity to no later than December 31, 2021, if this seemed expedient due to the ongoing effects of the COVID-19 pandemic in the Federal Republic of Germany. The Federal Ministry of Justice and Consumer Protection exercised this option by a regulation, which became effective on October 29, 2020, that provides a prolongation of the rules about virtual annual shareholders' meetings until the end of 2021.

C.4.1.5 Investor relations

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

Our articles of association, the bylaws for the Supervisory Board and its committees, the bylaws for the Managing Board, the declaration of conformity, and a variety of other corporate governance related documents are posted on our website at ➔***www.corporate.siemens-healthineers.com/investor-relations/corporate-governance***.

C.4.2 Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code

The corporate governance statement pursuant to Sections 289f and 315d of the German Commercial Code is an integral part of the combined management report. Pursuant to Section 317 (2) sentence 6 of the German Commercial Code, the independent auditor's review of the disclosures made within the scope of Sections 289f and 315d of the German Commercial Code is to be limited to ascertaining whether the disclosures were made.

C.4.2.1 Declaration of conformity with the German Corporate Governance Code

The Managing Board and the Supervisory Board of Siemens Healthineers AG approved the following declaration of conformity pursuant to Section 161 of the German Stock Corporation Act as of September 30, 2020:

Since the last issuance of the Declaration of Conformity dated September 30, 2019, Siemens Healthineers AG ("Company"), except for the deviations set out below in section 1, has fully complied with the recommendations of the German Corporate Governance Code ("GCGC") as amended on February 7, 2017 ("GCGC 2017"). Furthermore, the Company meets all recommendations of the GCGC as amended on December 16, 2019 (valid from March 20, 2020, "GCGC 2020") except for the deviation stated in section 2 and will continue to meet all recommendations except for the said deviation.

1. Since the issuance of the last Declaration of Conformity dated September 30, 2019 all recommendations of the GCGC 2017 have been met with the following exceptions:

   Pursuant to section 5.3.2 subsection 3 sentences 2 and 3 of the GCGC 2017 the Chairman of the Audit Committee shall be independent and the Chairman of the Supervisory Board shall not chair the Audit Committee.

   By taking over the position as Chairman of the Supervisory Board on December 1, 2019, Prof. Dr. Ralf P. Thomas had been in the temporary situation to chair both the Supervisory Board and the Audit Committee contemporaneously. This deviation as to section 5.3.2 subsection 3 sentence 3 of the GCGC 2017 has ceased to apply when Dr. Andreas C. Hoffmann assumed the function as Chairman of the Audit Committee on February 1, 2020.

2. The Company fully complies with the recommendations of the GCGC 2020 with just one exception:

   Pursuant to C.10 sentence 2 and D.4 sentence 1 of the GCGC 2020 the Chairman of the Audit Committee shall be independent.

As to the deviation declared in sections 1 and 2 on the independence of the Chairman of the Audit Committee, the Company explains that is included in the consolidated financial statements of the Siemens Group due to its affiliation with Siemens AG. Against this background the assumption of the functions of the Audit Committee of Siemens Healthineers AG is strengthened by a representative of the majority shareholder chairing the Audit Committee.

Munich, September 30, 2020
Siemens Healthineers AG

The Managing Board The Supervisory Board

C.4.2.2 Information on corporate governance practices

Suggestions of the German Corporate Governance Code

In addition to the recommendations, the GCGC also contains suggestions, compliance with which does not have to be disclosed. Since September 30, 2019, Siemens Healthineers AG has complied with the suggestions with the exception of the deviations from numbers 2.3.2 and 3.7 subsection 3 of GCGC 2017 explained below. In addition, the Company complies with all the suggestions of GCGC 2020, with the exception of A.5.

Pursuant to number 2.3.2 of GCGC 2017, the proxy appointed by the Managing Board to exercise shareholders' voting rights as instructed should also be reachable during the Shareholders' Meeting. The proxies appointed by Siemens Healthineers AG were personally available to the attending shareholders during the 2020 Annual Shareholders' Meeting. However, due to technical constraints, instructions on voting could not be given to the proxies electronically until the end of the general debate. The suggestion previously contained in number 2.3.2 of GCGC 2017 was removed from the new version of the GCGC of December 16, 2019.

Pursuant to number 3.7 subsection 3 of GCGC 2017 and A.5 of GCGC 2020, in the case of a takeover offer, the Managing Board should convene an extraordinary shareholders' meeting at which shareholders discuss the takeover offer and may decide on corporate actions. The convening of a shareholders' meeting, even taking into account the shortened time limits stipulated in the German Securities Acquisition and Takeover Act, is an organizational challenge for large publicly listed companies. It appears doubtful whether the associated effort is also justified in cases where no relevant decisions by the shareholders' meeting are intended. Therefore, extraordinary shareholders' meetings are convened only in appropriate cases.

Further corporate governance practices applied beyond legal requirements are contained in the business conduct guidelines.

Business conduct guidelines

The Siemens Healthineers business conduct guidelines provide the ethical and legal framework within which the Company intends to operate and to remain on course for success. They contain the basic principles and rules for the conduct of all Siemens Healthineers employees within the Company and in relation to our external partners and the general public. They set out how Siemens Healthineers meets its ethical and legal responsibilities as a company.

C.4.2.3 Managing Board and Supervisory Board procedures, and composition and procedures of their committees

The composition and procedures of the Managing Board and Supervisory Board, and of the committees of the Supervisory Board, are described in →***C.4.1 Management and control structure***. Further details can be found in the bylaws for the corporate bodies concerned. The names of the respective committee members and of the committee chairman are mentioned in →***C.4.1.2 Supervisory Board***. Information on the self-evaluation regarding the work of the Supervisory Board can be found here →***C.4.1.2 Supervisory Board***.

The information and documents named, including the GCGC and the business conduct guidelines, are publicly available at: →***www.corporate.siemens-healthineers.com/investor-relations/corporate-governance***.

C.4.2.4 Targets for the share of women on the Managing Board and at the management level immediately below the Managing Board; target for the share of women on the Supervisory Board

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

At Siemens Healthineers AG, targets have been set for the Managing Board to include at least one woman by June 30, 2023, and for the first management level below the Managing Board to include at least 25 % women by June 30, 2022. There is only one level of management below the Managing Board. A target has been set for the Supervisory Board to be composed of at least 2/9 of women by June 30, 2023.

C.4.2.5 Succession planning and diversity concept for the Managing Board

Long-term succession planning for the Managing Board

With the support of the Chairman's Committee, and in consultation with the Managing Board, the Supervisory Board performs long-term succession planning for members of the Managing Board. To this end, the Supervisory Board and the Chairman's Committee regularly discuss potential candidates for the Managing Board. The chair of the Managing Board is involved, unless the discussion is about his or her own succession. The Supervisory Board designs an applicant profile for Managing Board vacancies, with due consideration to ensuring that the knowledge, abilities, and experience of all members of the Managing Board are diverse and balanced; it pursues the approved diversity concept in this process. In addition, the Supervisory Board regularly receives information on the succession planning for the level immediately below the Managing Board and advises the Managing Board on this matter. The appointment of incumbents of certain management functions at the first level below the Managing Board requires the approval of the Chairman's Committee.

Diversity concept for the Managing Board

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

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

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

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

Implementation of the diversity concept for the Managing Board

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

In the decisions made in the reporting period on the reappointment of the Chief Executive Officer and the Chief Financial Officer effective March 1, 2021, the Supervisory Board took appropriate account of the diversity concept during the structured appointment process. The Supervisory Board believes that, following the very successful first appointment period, it is in the Company's best interest to reappoint each of the two Managing Board members for another term of office of five years. It lies in the nature of a reappointment that the decision process focuses on the incumbent's previous record in office.

C.4.2.6 Targets for the composition, profile of required skills and expertise, and diversity concept for the Supervisory Board

The diversity concept for the Supervisory Board was adopted by the Supervisory Board together with the targets for the Board's own composition, including the profile of the skills and expertise that the Supervisory Board should possess. This framework requires the composition of the Supervisory Board of Siemens Healthineers AG to be such as to ensure that its members collectively are qualified to supervise and advise the Managing Board. The Supervisory Board should collectively be familiar with the sector in which Siemens Healthineers operates.

Profile of required skills and expertise

The candidates proposed for election to the Supervisory Board should have the knowledge, skills, and experience that enable them to perform the duties of a supervisory board member at an international enterprise and strengthen the public image of Siemens Healthineers. The character, integrity, motivation, and professionalism of the persons proposed for election should be given particular consideration.

The aim is for the Supervisory Board as a whole to have all the knowledge and experience considered essential in view of the activities of Siemens Healthineers. This includes among others competencies and experience of medical and healthcare technology (including information technology and digitalization), transformation processes, entrepreneurship, procurement, production and sales, finance, legal (including compliance), and human resources. The Supervisory Board should also have knowledge and experience of the lines of business important to Siemens Healthineers, in particular (diagnostic) imaging, laboratory diagnostics and clinical therapy. In particular, the Supervisory Board members should also include persons who have management experience at a large international enterprise as a result of performing an executive function or as a member of a supervisory board or similar body.

At least one member of the Supervisory Board must have accounting or auditing expertise. The chair of the Audit Committee should have specific knowledge and experience in applying accounting principles and internal control procedures and be familiar with audits of financial statements.

When a new member is about to be appointed, a review should be undertaken to determine which of the desirable skills on the Supervisory Board ought to be enhanced.

International profile

In light of the Company's international reach, it should be ensured that the Supervisory Board has a sufficient number of members with many years' international experience.

Diversity

It should be ensured that the Supervisory Board is sufficiently diverse in its composition. In addition to an appropriate ratio of women, this also includes diversity with regard to cultural origin, religion, and ethnic background, as well as diversity of professional background, experience, and mindset. When examining potential candidates for appointments to Supervisory Board positions, diversity should be given appropriate consideration early on in the selection process.

Independence

In accordance with the GCGC, the Supervisory Board should include what it considers to be an appropriate number of independent members from the group of shareholder representatives, thereby taking into account the shareholder structure. Within the meaning of this recommendation of the GCGC, a Supervisory Board member is considered independent if he/she is independent of the company and its Managing Board, and independent of any controlling shareholder. The composition of the Supervisory Board should be such that at least three independent shareholder representatives who meet the above criteria of independence are members of the Supervisory Board. In the opinion of the Supervisory Board, there are currently at least four Supervisory Board members who are independent of the Company, its Managing Board, and the majority shareholder – namely, Dr. Marion Helmes, Dr. Philipp Rösler, Dr. Gregory Sorensen, and Karl-Heinz Streibich.

Under the GCGC, more than half of the shareholder representatives should be independent of the company and the Managing Board. Supervisory Board members are to be considered independent of the company and its Managing Board if they have no personal or business relationship with the company or its Managing Board that may cause a substantial – and not merely temporary – conflict of interest.

When assessing the independence of its members of the company and its Managing Board, shareholder representatives should particularly take into consideration whether the respective Supervisory Board member or a close family member:

- was a member of the company's Managing Board in the two years prior to appointment,
- currently maintains (or maintained in the year up to his/her appointment) a material business relationship with the company or one of the entities dependent upon the company (e.g., as customer, supplier, lender, or advisor) directly or as a shareholder, or in a leading position of a non-group entity,
- is a close family member of a Managing Board member, or
- has been a member of the Supervisory Board for more than twelve years.

In the opinion of the Supervisory Board, all its members are currently independent of the Company and its Managing Board. Some members of the Supervisory Board hold positions of significant responsibility in other companies with which Siemens Healthineers maintains relationships in the ordinary course of business. The Supervisory Board believes that none of these relationships should be considered material.

If the company has a controlling shareholder, and the Supervisory Board comprises more than six members, the GCGC recommends that at least two shareholder representatives should be independent of the controlling shareholder. A Supervisory Board member is considered independent of the controlling shareholder if he/she, or a close family member, is neither a controlling shareholder nor a member of the executive governing body of the controlling shareholder, and does not have a personal or business relationship with the controlling shareholder that may cause a substantial – and not merely temporary – conflict of interest. In the opinion of the Supervisory Board, there are currently at least four Supervisory Board members who are independent of the controlling shareholder, namely, Dr. Marion Helmes, Dr. Philipp Rösler, Dr. Gregory Sorensen, and Karl-Heinz Streibich.

Availability

Every Supervisory Board member must ensure that they have enough time to perform their tasks. The legal limits on the number of positions, and the upper limit recommended by the GCGC of two supervisory board positions for Managing Board members of publicly listed companies and five supervisory board positions for other members, must be taken into consideration.

With regard to performing the tasks associated with such a position at Siemens Healthineers, it must be taken into account that

- at least four, but usually six, ordinary Supervisory Board meetings are held per year, which require adequate preparation
- sufficient time must be planned for reviewing the documents relating to the annual and consolidated financial statements
- attendance at the Annual Shareholders' Meeting is mandatory
- depending on membership in one or more of the currently four Supervisory Board committees, additional time is required for attending and adequately preparing for committee meetings; this applies especially to the Audit Committee
- additional extraordinary meetings of the Supervisory Board or a committee may become necessary to deal with special issues.

Age limit and length of membership

Observing the age limit laid down by the Supervisory Board in the bylaws, only persons no more than 70 years of age should usually be proposed for election as a member of the Supervisory Board. The aim is for the Supervisory Board to have an appropriate structure of experience and age.

Implementation of targets for composition, including profile of required skills and expertise and diversity concept; independent members of the Supervisory Board

In the process of selecting and nominating candidates for the Supervisory Board, the Supervisory Board takes account of the targets for its composition and the requirements laid down in the diversity concept.

With its current membership, the Supervisory Board meets all the targets for its composition and fulfills the profile of required skills and expertise and the diversity concept. The Supervisory Board members have the professional and personal qualifications considered necessary. As a group, they are familiar with the sector in which the Company operates and have the knowledge, skills, and experience essential for Siemens Healthineers. A considerable number of Supervisory Board members are engaged in international activities and/or have many years of international experience. Appropriate consideration has been given to diversity in the Supervisory Board. In fiscal year 2020, the Supervisory Board had two female members.

The Supervisory Board also has an adequate number of independent members. In the opinion of the Supervisory Board, there are currently at least four Supervisory Board members who are independent from the Company, its Managing Board, and the controlling shareholder, namely, Dr. Marion Helmes, Dr. Philipp Rösler, Dr. Gregory Sorensen, and Karl-Heinz Streibich.

C.5 Notes and forward-looking statements

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

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

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

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

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

For reasons of better readability, the male form is predominantly chosen in this Annual Report. The information refers nevertheless to persons of any gender.

Internet:
→ ***www.siemens-healthineers.com***

Press:
→ ***www.siemens-healthineers.com/press-room/***

Investor Relations:
→ ***www.corporate.siemens-healthineers.com/investor-relations***

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