Annual Report 2022

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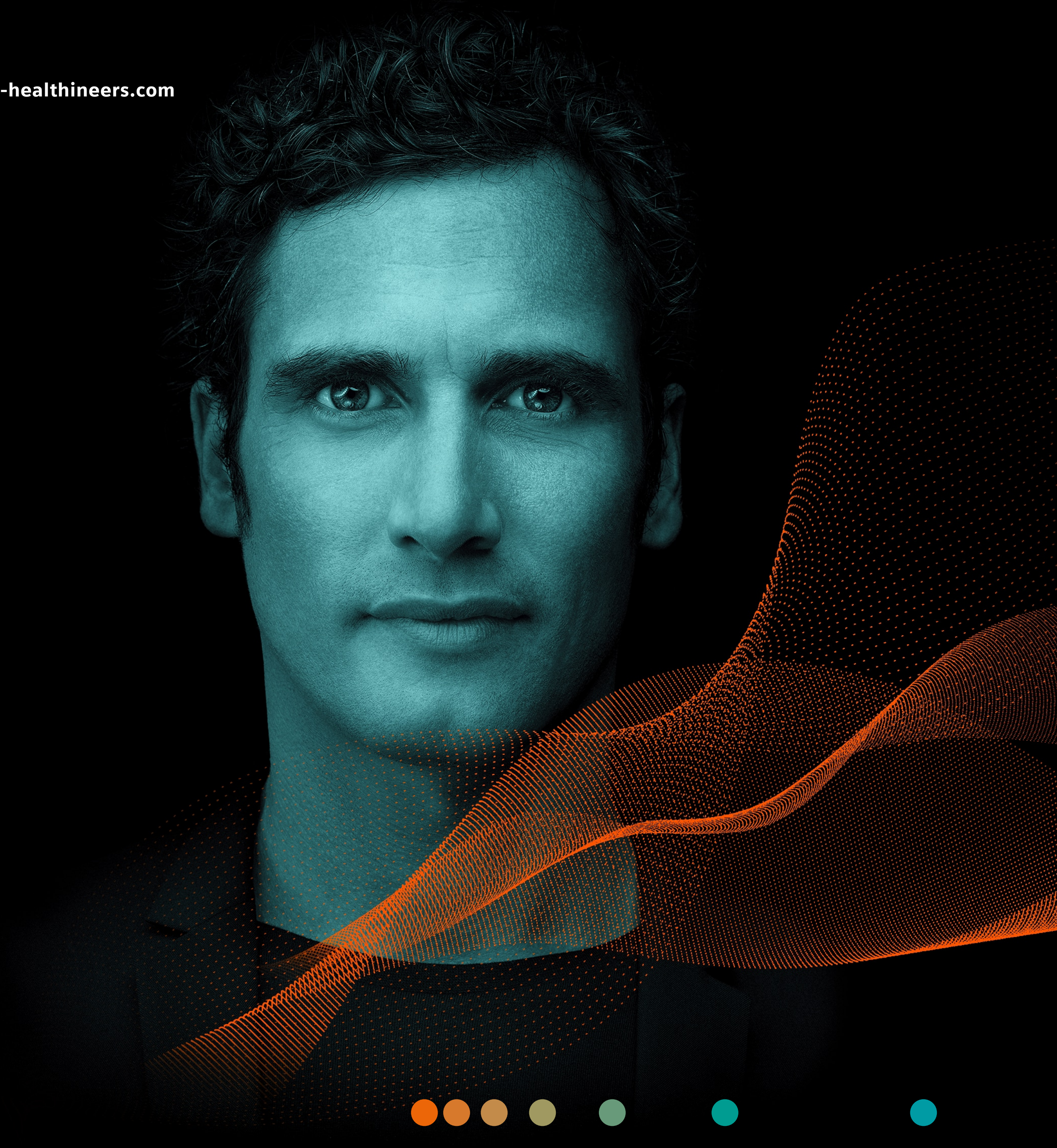

SIEMENS Healthineers

Table of Contents*

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A. Combined management report

A.1 Business principles

A.1.1 Business description

Organization

Siemens Healthineers is a global provider of healthcare solutions and services, with activities in numerous countries around the world. Siemens Healthineers Group (hereinafter "Siemens Healthineers," the "company," "we," or the "Group") comprises the parent company Siemens Healthineers AG, a stock corporation under the laws of the Federal Republic of Germany, and its subsidiaries. Siemens Healthineers AG is incorporated in the commercial register in Munich, Germany. The company's business operations are conducted by the direct and indirect subsidiaries of Siemens Healthineers AG. As of September 30, 2022, the Siemens Group held just over 75% of the shares in Siemens Healthineers AG, unchanged from the prior year.
Siemens Healthineers had about 69,500 employees as of September 30, 2022 (September 30, 2021: about 66,000).

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

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

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

Our Imaging segment provides imaging products, services, and solutions as well as digital offerings. Our most important products in this segment are devices for magnetic resonance imaging, computed tomography, X-ray, molecular imaging, and ultrasound. All our imaging and therapy systems are supported by shared software platforms. We offer a broad and scalable range of software solutions to support the reading and structured reporting of diagnostic images from different modalities. We generate a significant amount of recurring revenues from our customer services business (services and spare parts) due to a strong installed base and long-term service relationships. These provide a stable business base. The Cancer Therapy business (imaging for radiation therapy) will be part of the Varian segment as of October 1, 2022.

The portfolio of our Diagnostics segment comprises in-vitro diagnostic products and services that we offer to healthcare providers in the fields of laboratory diagnostics and point-of-care diagnostics. With a broad selection of diagnostic 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 analysis, and molecular tests. Siemens Healthineers provides laboratories and points of care with a range of antigen, PCR, and antibody tests designed to specifically identify the SARS-CoV-2 respiratory pathogen. Diagnostics' product range also includes efficient workflow solutions for laboratories and informatics products that are integrated with our offerings to improve provider productivity. Diagnostics generates profits mainly from long-term contracts that include an initial instrument placement followed by ongoing reagent sales, which results in a predictable and resilient revenue stream.

The Varian segment provides innovative, multi-modality cancer care technologies along with solutions and services to oncology departments in hospitals and clinics globally. Its portfolio is designed to enable clinicians to perform new, innovative radiotherapy and other oncology treatments. Varian's Radiation Oncology business serves the end-to-end needs of customers with integrated equipment and digital solutions, and applications that are designed to enable increased access to quality care as well as improved treatment planning and delivery. High-quality imaging and digital solutions and applications enable higher-precision image-guided cancer treatments. The Proton Solutions business utilizes conventional radiotherapy expertise to develop integrated solutions for proton therapy. Effective with the beginning of fiscal year 2023, this business was assigned to Central

Items, under the management responsibility of Varian, given that, in the future, the business will not be actively marketing or pursuing new sales of proton systems but concentrate on maintenance of equipment already ordered or already installed, thereby enhancing system reliability and stability, and providing a high level of service for existing customers and their proton centers. The Multi-Disciplinary Oncology business comprises technology-enabled optimized workflows, clinical services, and consulting capabilities as well as innovative digital solutions and applications for managing treatment and therapy. With a large installed base in its Radiation Oncology business, Varian generates recurring revenue from services and spare parts. On October 1, 2022, the Cancer Therapy business will be transferred from the Imaging segment to the Varian segment and will be part of the Varian segment effective with the beginning of fiscal year 2023.

Our Advanced Therapies segment's portfolio consists of highly integrated products, services and solutions across multiple clinical fields used in the treatment of diseases. Our Advanced Therapies products are designed to support image-guided minimally invasive treatments, in areas such as cardiology, interventional radiology, and surgery. The most important products in this segment are angiography systems and mobile C-arms as well as a robotic-assisted platform for endovascular coronary and peripheral vascular interventions. Advanced Therapies generates recurring revenues through its strong installed base and customer services business (service and spare parts).

Within these four segments we provide comprehensive services all along the customer value chain, among them planning and design, maintenance, operational management, financing, training and education services – for example, within partnerships with hospital operators, so called value partnerships. Our service offerings include equipment performance management, clinical education and e-learning, asset management, managed departmental services for laboratories and healthcare facilities, consulting and digital health products and services. With our value partnerships, we actively address the trend of consolidation among healthcare providers ➔ ***A.1.2 Business environment*** and cover customer needs through a broad and deep portfolio. As the partnerships with customers last for several years, we generate recurring revenues on a regular basis.

Siemens Healthineers Strategy 2025

Against the backdrop of the healthcare trends described in ➔ ***A.1.2 Business environment***. Siemens Healthineers has defined strategic priorities to ensure its competitiveness beyond 2025. Within our Siemens Healthineers Strategy 2025, we have successfully completed the first two phases known as Reinforcing and Upgrading. The transformational business combination of Siemens Healthineers and Varian, for instance, enabled us to expand into adjacent markets. At the same time, we have expanded our core business and strengthened our role as a holistic partner for our customers. At the start of fiscal year 2022, we embarked on the third phase of our strategy. During this New Ambition phase, Siemens Healthineers' aspiration is to achieve annual comparable revenue growth of 6–8% and annual growth in adjusted basic earnings per share of 12–15% for fiscal years 2024 and 2025 excluding COVID-19 rapid antigen test contribution. The outlook for fiscal year 2023 is shown in the chapter ➔ ***A.5.2 Expected business development***.

The goal of the New Ambition phase is to fight the most dangerous diseases worldwide, enable efficient workflows, and enter new growth markets while remaining successful in our core markets. The New Ambition phase focuses on five growth priorities or vectors (see below), and our segments and regions are now executing on the plans and programs they developed for pursuing these priorities.

In the Comprehensive Cancer Care vector, we want to expand our leading position in oncology by addressing further customer segments along the entire disease pathway. To this end, we intend to enhance and strongly integrate our radiotherapy and imaging products, build a strong portfolio in interventional oncology, expand our multidisciplinary software solutions and technology-enabled services, and expand our cancer decision support for better therapy guidance.

In the Cardiovascular and Neurovascular Care vector, we want to leverage our strengths in imaging and endovascular robotic systems to further enhance our relevance in the field of cardiovascular and neurovascular treatments.

The Networked Care & Digitally Enabled Services vector addresses the biggest challenges our customers are currently facing, such as staff shortages, rising labor costs, increasing demand, and rapid technological and scientific progress. Our ambition is to put healthcare providers in a position to provide more patients with better care by improving and automating manual workflows that have previously drained significant resources and given rise to inefficiencies. In the area of "networked care," we want to become the partner of choice for decentralized healthcare.

The China Healthcare growth vector concentrates on what is expected to be the biggest global market in medical technology by the year 2030. As part of its 14th Five-Year Plan, China intends to adapt not only aspects of its economy and society to new developments, but also its own healthcare and medical technology sector. Our ambition is to strengthen our role as a trusted partner of the Chinese healthcare system and its patients.

In the Access to Care vector, we will be focusing on the approximately three billion people worldwide who still do not have access to adequate healthcare today. The main obstacles here are a lack of infrastructure, financial affordability of treatment, and a lack of health awareness. As non-communicable diseases become more prevalent in the coming years, affordable health care will need to cover a broader base than before.

Our aim as one of the leading medical technology companies is to improve our products, services, and solutions for the healthcare sector in order to benefit patients, medical personnel, and society as a whole. Thus, the Siemens Healthineers Strategy 2025 supports the United Nations' Sustainable Development Goals (SDGs) – for instance Goal 3: "Good health and well-being."

Research and development

Our research and development activities (hereinafter "R&D") are aimed at providing our customers with innovative and sustainable solutions, while safeguarding and improving our competitiveness. We therefore focus our R&D activities on selected technologies and innovations. In particular, we have further expanded our R&D activities in the areas of artificial intelligence (hereinafter "AI"), sensing technology, and robotics.

At Siemens Healthineers, AI is an integral part of our key innovations. Our product and solution portfolio uses AI successfully for data analysis and interpretation, decision-making, intelligent robot control, and automation on the basis of digital twins.

In our Imaging segment, for instance, we are using AI to improve magnetic resonance imaging (hereinafter "MRI"). The quality of MRI is determined by the trade-off between scan time, resolution, and image noise. Generally speaking, improving one of these factors requires compromising on one of the others. Deep Resolve, a deep learning solution for image reconstruction, can eliminate this dilemma. It enables clinicians to choose a significantly shorter scan time, while reducing image noise and keeping the same resolution, or even increasing image quality. Deep Resolve works with the scanner's raw data, using AI algorithms to improve the image starting with the first steps of image reconstruction.

In our Diagnostics portfolio we also leverage AI-based technology. Using AI, we are currently developing capabilities to predict the course of a COVID-19 disease and therefore increase the understanding of how to improve care for patients affected by COVID-19.

In addition, Siemens Healthineers harnesses advanced technologies such as AI and data analytics to improve cancer treatment and expand global access to cancer care. Siemens Healthineers is continuing to expand its portfolio with the development of new products based on its combined experience in imaging and cancer care. For instance, Siemens Healthineers has developed the HyperSight Imaging Solution, a Cone-Beam-Computed-Tomography (CBCT) solution. With this solution, it is possible to acquire imaging data on both Halcyon and Ethos linear accelerators with high image quality, precision and speed.

Key applications of sensing technology range from laboratory diagnostic tests via computed tomography (CT) detectors, and electromagnetic measurement fields in magnetic resonance (MR) all the way to ultrasonic transducers. These help to obtain in-vitro biomarkers, image-based biomarkers and vital signs, and also enhance the optical perception of humans and machines alike.

In the Imaging segment, for instance, Siemens Healthineers has developed the NAEOTOM Alpha CT system, a photon-counting computed tomography scanner based on new, innovative sensor technology, which was brought to market in fiscal year 2022. Based on the direct signal conversion of its QuantaMax detector, NAEOTOM Alpha offers high-resolution images at minimal dose, spectral information in every scan, and improved contrast at lower noise. Photon-counting CT will advance medical diagnostics toward precise, non-invasive diagnosis in cardiology, pulmonology, oncology, and emergency medicine. As of September 30, 2022, we held more than 280 granted patents related to the application of photon counting detectors in computed tomography.

Among our developments in the area of MRI is the MAGNETOM Free. platform, which was also brought to market in fiscal year 2022. It simplifies infrastructure requirements and the scanning process, which is automated with myExam Companion – all with the first 80 cm patient bore. MAGNETOM Free.Max comes with AI-powered reconstruction technology, enabling MRI acquisition and processing with sharper image quality. The new MAGNETOM Free.Star is a virtually helium-free scanner (DryCool technology) with an ultra-compact footprint that is far easier to install. Our myExam Companion leverages the new possibilities of digitalization and AI to easily deliver high-quality results in routine MRI scans.

Siemens Healthineers is also developing the Symbia Pro.specta, a single photon emission computed tomography/computed tomography (SPECT/CT) system with advanced SPECT and CT sensor imaging technologies. The AI-based myExam Companion guides the user through every step of the examination's decision-making process, while ensuring an intuitive and automated workflow.

Siemens Healthineers is comprehensively updating its ultrasound portfolio and has developed a revised Acuson family featuring twelve new transducers across four ultrasound systems and the expansion of AI-powered tools to offer clinicians greater adaptability and address challenges in various clinical applications.

A further development in the cardiology portfolio is the Artis icono biplane system, an angiography system featuring detectors specifically designed for cardiovascular care. The system offers new functions for diagnosing and treating cardiac arrhythmia, coronary heart disease, and structural heart disease. It is designed to simplify clinical workflows and provide excellent image quality at a low radiation dose.

Siemens Healthineers is also developing a new mobile X-ray system, the Mobilett Impact, which combines all the benefits of a mobile X-ray system for imaging at the patient's bedside with full digital integration and an affordable price. With Mobilett Impact, the entire imaging workflow can be performed right at the patient's bedside. Little training is required, even for inexperienced technicians.

In addition to AI and sensing technology, robotics is a further core technology. Siemens Healthineers already uses robots for laboratory assistance, radiation, patient handling, and robotic imaging devices such as the ARTIS icono.

In fiscal year 2022, one of the projects tackled by Siemens Healthineers involved 3D imaging integrated with endoluminal robotics for precise transbronchial lung biopsy. The integration of the capabilities of Siemens Healthineers' mobile 3D imaging system Cios Spin with Intuitive's Ion Endoluminal System for transbronchial biopsy enables automated 3D image transfer to update the target location of the lesion. Thanks to this integration, all lesions in the lung can be reached and biopsies can be taken with low complication rates.

The number of cancer cases is increasing worldwide, resulting in a greater need for minimally invasive tumor treatment options such as transarterial chemoembolization (TACE). An early diagnosis and treatment decision requires a high level of interventional precision to ensure the embolization of the tumor-feeding vessels as selective as possible. It is for such super-selective procedures and other complex interventions that Siemens Healthineers has developed its new, ceiling-mounted Artis icono ceiling angiography system.

In addition to expanding our portfolio, our R&D teams strive for continuous improvement of existing products and solutions. Our R&D workforce already exceeds 12,000 employees and operates at a number of R&D sites around the world, mainly in Germany, the U.S., China, and India. The distribution of our R&D workforce across an international network of sites enables us to meet the needs of local markets and gives us access to local job markets, allowing us to hire the best employee for the respective job. We supplement our internal capabilities through our relationships with strategic partners.

In fiscal year 2022, we reported R&D expenses of €1,785 million (2021: €1,546 million). The resulting R&D intensity, defined as the ratio of R&D expenses to revenue, was 8% (2021: 9%). Additions to capitalized development expenses amounted to €212 million (2021: €179 million). Therefore, the ratio of capitalized development expenses to total R&D expenses was 12% (2021: 12%). Amortization of capitalized development expenses totaled €123 million (2021: €126 million).

As of September 30, 2022, we had about 23,000 technical intellectual property rights. This figure includes about 15,000 granted patents, at the same level of fiscal year 2021.

A.1.2 Business environment

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

Healthcare market trends

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

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

Developments in health policy

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

The COVID-19 pandemic has impacted regulatory environments and practices, presenting governments and healthcare providers with unprecedented challenges. Regulatory authorities have utilized targeted methods to get diagnostic products to market faster. These include changes to existing reimbursement structures as well as the introduction of accelerated regulatory processes and emergency approvals. Governments have also been quick to create a legal framework conducive to the deployment of telehealth technology. This has had a positive influence on the availability of diagnostic tests and access to reimbursement, for example, for digital solutions such as telehealth in countries including China, the U.S., and Germany. This has underscored and increased the importance and value of such technologies during the pandemic. Electronic medical records for patients, coupled with the possibility of remote medical treatment, are already a key issue – for example, at hospitals in China. However, these changes in health policy and reimbursement systems may be only temporary and could potentially be reversed or modified in the mid-term – for example, the accelerated regulatory processes.

In the coming years, two of our most important markets – the U.S. and China – will face additional uncertainties when it comes to health policy and financing. With the U.S. administration prioritizing other issues, the regulatory environment for the healthcare industry has remained largely static. At the moment, topics such as the reform of Medicare health services and other associated questions are being discussed in bills before Congress, and these could have an impact on the market in the U.S. The impact of COVID-19 on government and private-sector finances has increased pressure on both device utilization and reimbursement systems.

In spring 2021, China published its 14th Five-Year Plan, in which innovation, industrial modernization, digitalization, and a "healthy China" will play a key role for the healthcare industry in the period 2021–2025. China's tiered hospital system is one of the key points of focus of that country's healthcare reform. To even out social and geographic disparities in the provision of health services, the country continues to build out and modernize primary care while expanding higher-quality medical centers. China will continue to ramp up its "dual-circulation" economic model with the aim of reducing external dependencies and expanding domestic consumption. On the one hand, China wants to continue opening its markets in order to spur growth and make progress with globalization and integrative development. On the other hand, the government's support for the modernization of local manufacturing and an enhanced policy of local preferment will increase competition between multinationals and local providers, with the latter growing rapidly. Reform of the healthcare system will be further stepped up in order to improve quality and efficiency. The centralized public procurement system is being expanded both geographically and with regard to specific products in the in-vitro and in-vivo segments. Reform of the reimbursement system, flat-rate-per-case billing (known as Diagnosis-Related Groups or DRG), and a new health insurance reimbursement method (known as Diagnosis Intervention Packet or DIP) should cover inpatient services in all relevant hospitals by the end of 2025.

In Europe, the European Commission has responded forcefully to the COVID-19 pandemic via its Recovery and Resilience Fund (RRF), providing the member states with significant funds to strengthen the resilience of their healthcare systems. We expect these funds to have a positive effect on our markets. Whereas current health-policy initiatives in Germany are still mainly focused on COVID-19, we expect to see favorable political decisions in the field of digital healthcare as well as a shift toward more outpatient treatment and increased specialization in inpatient treatment. At the same time, the war in Ukraine and its macroeconomic consequences – including rising energy and raw-material prices – are piling additional pressure on publicly funded healthcare systems throughout Europe.

Political and macroeconomic developments

The business environment is influenced not only by the regulatory framework, which healthcare companies and providers must comply with in order to sell their products and deliver health services, but also by non-tariff barriers to trade – such as forced localization, licensing requirements and, in particular, protectionism – which have increased in significance in recent years. Trade barriers are becoming more widespread, affecting all our segments' markets and placing additional financial burdens on companies. The trade conflict between the U.S. and China continues to hamper goods traffic between these countries. Ongoing differences between the two nations will continue to pose challenges for trade. The war in Ukraine may accelerate fragmentation of the global geopolitical landscape and further deepen the rift between the U.S. and China. Further decoupling between the two countries in the fields of technology and production cannot be ruled out. The consequences of this could manifest especially in trade for critical economic sectors, such as AI technology, 5G mobile networks, and other high-tech segments. The business environment is influenced not only by geopolitical events but also by macroeconomic trends that are causing insecurity across the entire globe. Unusually high inflation, for example, has already been on the rise for several months. Pandemic-related bottlenecks in supply chains, strict lockdowns in China, higher transportation costs, energy price increases, and energy scarcity due to the war in Ukraine have all had an impact. Both the manufacturers of medical technology and their customers must deal with higher costs. The effects of the war in Ukraine are likely to persist in the medium term, especially if there is no end to the conflict and sanctions remain in place. During the second half of the fiscal year, disparities in major currencies increased.

Segment markets

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

The burgeoning population in developing countries and constantly rising demand for diagnostic tests are spurring growth of the Diagnostics market. However, stringent European and American government regulations for in-vitro diagnostics are hampering access to markets and thus market growth. For example, there is the EU In Vitro Diagnostics Regulation (IVDR), which provides specific safety and performance requirements before products are placed on the market. As in previous years, healthcare providers continue to consolidate their operations to cut laboratory costs while also industrializing their testing processes in order to improve efficiency through automation and digitalization. Increased digitalization will further enhance laboratory productivity and enable better integration of diagnostic test results into clinical decision-making. Immunochemistry is one the largest and fastest growing segments of the Diagnostics market. Whether in acute or non-acute situations, point-of-care tests offer advantages that have gained in significance through the COVID-19 pandemic. For example, reliable results are obtained after just a few minutes. Diagnostics is a fragmented market, with a variety of global, regional, and specialized providers competing with each other across market segments. Together with Roche Diagnostics and Abbott Laboratories, Siemens Healthineers is a major player in this market.

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

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

A.2 Financial performance system

Key performance indicators

Comparable revenue growth

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

Currency translation effects are the difference between adjusted revenue for the current period calculated using the exchange rates of the current period and adjusted revenue for the current period calculated using the exchange rates of the comparison period. For calculating the percentage change year-over-year, this absolute difference is divided by adjusted revenue for the comparison period. A portfolio effect arises in the case of an acquisition or a disposition and is calculated as the change year-over-year in adjusted revenue related to the transaction. For calculating the percentage change, this absolute change is divided by adjusted revenue for the comparison period. Any portfolio effect is excluded for the 12 months following the relevant transaction after which both current and past reporting periods fully reflect the portfolio change.

When a new reporting segment is created following an acquisition, we manage it on the basis of total adjusted revenue up to the point at which it is possible for the first time to calculate the segment's comparable revenue growth for the full fiscal year.

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

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

Adjusted EBIT margin

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

EBIT is adjusted for the following items:

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

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

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

Adjusted basic earnings per share

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

The following adjustments are made in line with the definition of adjusted EBIT margin:

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

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

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

Dividend

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

A.3 Business development

A.3.1 Market development

In general, our addressable global markets, excluding COVID-19 antigen rapid tests, grew slightly on a revenue basis in fiscal year 2022. Excluding molecular diagnostics and COVID-19 antigen rapid tests, the addressable market increased moderately. The global addressable market for Imaging (equipment business and product-related services) grew to around € 32 billion in fiscal year 2022. The addressable market for Advanced Therapies (angiography systems, mobile C-arms, and product-related services) was around almost €7 billion. The Diagnostics segment's market comprises laboratory diagnostics, including molecular diagnostics, and point-of-care diagnostics (including COVID-19 rapid tests) ➔ ***A.1.1 Business description***. The global Diagnostics market (including reagents, consumables, and product-related services but excluding POC rapid antigen tests) grew to around €47 billion (thereof approximately one quarter molecular diagnostics). The global addressable market for Varian (linear accelerators, proton therapy machines, interventional oncology solutions, software, and product-related services) amounted to around €13 billion in fiscal year 2022. Services account for a majority of recurring revenues in the markets.

In fiscal year 2022, growth in the global economy weakened, especially in most major economies, such as the U.S., China, and the European Union. However, the healthcare sector is more independent from the broader business cycle than other sectors. Macroeconomic and geopolitical challenges shaped the recent months. Rising inflation rates, disruptions in supply chains, and the war in Ukraine led to economic disruptions. In addition, nearly three years after the first case of COVID-19 was identified, the virus and its spread continued to impact health systems and economies worldwide. Longstanding challenges, such as staff shortages and cost pressures, are intensifying pressures on health systems. Competition among the leading medtech companies remained at high levels.

While the long-term market trends ➔ ***A.1.2 Business environment*** generally remained intact, the COVID-19 pandemic and price inflation did reinforce some of these trends and, for example, raised the already increasing cost pressure on health systems and customers to unprecedented levels. Especially in countries with severe COVID-19 outbreaks a significant impact on healthcare economics – e.g. in the U.S. and Germany – was apparent in the form of additional cost increases combined with simultaneous revenue losses for hospitals. Staff shortages became more acute, leading to significant care disruptions at many hospitals and overburdening of healthcare systems. One positive outcome of the pandemic was enhanced innovation and an acceleration of digital transformation.

In the Imaging segment, overall market growth was flat in fiscal year 2022. Delays in revenue recognition due to global supply chain constraints, among other factors, weakened growth. Overall market development was substantially supported by positive developments in the magnetic resonance imaging and nuclear medicine markets, after demand had already recovered in the prior fiscal year.

Within the Diagnostics segment, point-of-care (excluding COVID-19 rapid antigen tests) and laboratory diagnostics (excluding molecular diagnostics) recorded ongoing recovery in patient volumes as markets continued to return to normalized levels following the COVID-19 lockdowns. As a result, our addressable Diagnostics market, excluding COVID-19 rapid antigen tests and molecular diagnostics, experienced a moderate increase in fiscal year 2022. Laboratory diagnostics includes routine, specialty, and critical care tests performed primarily in hospital and laboratory settings, while point-of-care applications bring testing to patients in primary and urgent care locations. Supply chain constraints, labor shortages, and inflation uncertainty were all risk factors during the fiscal year. The markets for combating the COVID-19 pandemic developed differently. Depending on the diagnostic objective, a range of COVID-19 PCR, antigen, and antibody tests is available for both the laboratory and the point-of-care environment. The market for molecular lab PCR tests, used to identify the SARS-CoV-2 virus at an early stage, experienced a sharp decline as fewer PCR tests were performed and more rapid COVID-19 antigen tests were used due to the ongoing development of the global COVID-19 pandemic. The POC rapid antigen test market for home use experienced a sharp increase due to greater awareness and acceptance of at-home testing. The laboratory diagnostics COVID-19 market, which plays a role in analyzing antibody and antigen status, decreased in growth compared to the previous fiscal year.

In Varian's market, significant growth of the overall market was driven primarily by new business, replacement of equipment, and service business growth. In markets such as the U.S. and Western Europe, product and service innovations led to higher customer investments. Other markets were driven by a need to expand access to oncology equipment and services to underserved population groups and regions. Macroeconomic headwinds, supply chain challenges and global geopolitical tensions put pressure on market growth and delayed customer investments.

For Advanced Therapies, the overall market increased significantly. The context was that the market recovered from COVID-19 in all relevant regions. Postponements of tenders during fiscal 2021 and subsequent execution of those projects in fiscal 2022, had a positive effect on revenue for Advanced Therapies in the fiscal year.

In the region Asia, Australia, China and Japan are the biggest medtech markets. China is a major growth driver. The Chinese healthcare market again suffered COVID-19 outbreaks in fiscal year 2022 after largely successful virus control. This resulted again in a zero COVID policy and related lockdowns affecting trade, travel, and industry. The overall market in the region Asia, Australia declined slightly in the Imaging segment, including declines in the major markets China and Japan. In China, growth opportunities were prevented by COVID-19-related restrictions. In Varian's market, these restrictions delayed some tenders, orders, and customer outreach in the second half of the fiscal year, thereby affecting market growth in 2022. Thus, the market increased, but to a lesser extent than expected in the previous year. Supply chain disruptions impacted investment timelines. In the Diagnostics segment, the increased testing volume for routine tests in the previous fiscal year declined to moderate growth due to strict lockdowns. In addition, volume-based procurement and the government's price-controlling policies had a negative impact on Diagnostics in China across both the laboratory and point-of-care markets. Demand for diagnostics POC laboratory products in ambulatory care grew moderately in China despite lockdowns. Eventually, excluding the COVID-19 tests, the market experienced a moderate overall increase. In the region Asia, Australia, the Advanced Therapies market performed very strongly, with revenue declining in China, particularly as a result of lockdowns. As a result of increased system utilization and the resumption of elective surgical procedures in the previous fiscal year, however, the Japanese market saw sharp growth.

In the region EMEA, growth in the Imaging segment slowed down and settled at a flat growth level. While EU government investment programs supported growth, the war in Ukraine had a negative impact on the region. The Diagnostics segment in EMEA experienced moderate growth in fiscal 2022 (excluding molecular diagnostics), driven by the increase in patient volumes in routine care. The increase did not compensate for the sharp decline in SARS-CoV PCR testing in molecular diagnostics, resulting in a moderate decline in the overall diagnostics market (including molecular laboratory diagnostics) excluding the COVID-19 antigen rapid test market. Consolidation of networked healthcare providers is progressing, resulting in EMEA-wide laboratory chains continuing to focus on expanding their reach in an already saturated landscape. Additionally, the increasing presence of low-cost providers is challenging in most countries in the region. The market of Varian grew very strongly, as the market benefited mainly from the government investment program in Spain and public orders from the National Health Service (NHS) in the UK. The Advanced Therapies market grew strongly in the EMEA region. Government investment programs in some countries and increased system utilization in the previous fiscal year led to increased order volumes, mostly returning to pre-pandemic levels.

Healthcare in the U.S., the biggest market in the Americas region, faced challenges such as inflation, low economic growth, an ongoing pandemic COVID-19 situation, and shortages of clinical staff in fiscal year 2022. The overall imaging market saw very strong growth in both the Americas and the USA. Market drivers included a large pent-up demand for magnetic resonance scanners from the previous fiscal year, which was triggered by the first COVID-19 pandemic wave. Furthermore, an increased number of replacements in the U.S. market in computed tomography contributed materially to growth. In the Diagnostics segment, routine testing demand continued to normalize. The POC market in ambulatory care, central laboratory diagnostics and the in-vitro market in total grew slightly. Demand for rapid antigen tests again rose sharply due to the continued high incidence of infection and growing adoption of self-testing. However, demand for molecular diagnostic PCR tests declined. Varian markets grew very strongly as investment in product and services innovations, as well as adoption of advanced techniques including stereotactic treatments and adaptive radiotherapy increased. The Advanced Therapies market grew strongly in the Americas region. In the USA, the market saw sharp growth driven by demand for mobile C-arms. Overall, the resumption of elective surgical procedures and a cyclical replacement of equipment had a positive impact on market development and contributed to a recovery of the market.

Our market development expectations are based on Siemens Healthineers' market model that builds on external sources (among others from Signify Research, IQVIA Ltd., KLAS, IMV, Clearstate and The Lancet Oncology), market information from MedTech industry associations (among others COCIR, NEMA, JIRA, and MedTech Europe) and Siemens Healthineers' management estimates. In the case of Varian, the forecasts include data from regulatory authorities (among others from ASTRO, ESTRO, the Global Task Force on Radiotherapy for Cancer Control (GTFRCC), which is part of the Union for International Cancer Control (UICC), and the International Atomic Energy Agency (IAEA)). All statements on market developments refer to the available actuals for first three quarters of fiscal year 2022 because market data for the full fiscal year were not available as of the publication of the annual report. The development of the fourth quarter is therefore included as an estimate. The market data are based on product revenues and product-related services. Given the unpredictability of further COVID-19 pandemic developments, macroeconomic challenges and related volatilities on healthcare markets, customary and historic market development patterns are only partially suitable for forecasting purposes this year.

A.3.2 Results of operations

A.3.2.1 Revenue by segment and region

(in millions of €)[1]	Fiscal year 2022	Fiscal year 2021	%-Change Act.	%-Change Comp.[2]
Siemens Healthineers	**21,714**	17,997	**20.7%**	**5.9%**
Therein:				
Imaging	10,981	9,821	11.8%	5.8%
Diagnostics	6,065	5,418	11.9%	6.6%
Varian[3]	3,075	1,300	136.5%	6.5%
Advanced Therapies	1,920	1,716	11.9%	5.7%

[1] Siemens Healthineers: revenue according to IFRS; segments: total adjusted revenue.
[2] Year-over-year on a comparable basis, excluding currency translation and portfolio effects as well as effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations.
[3] In the prior year, Varian has been included since closing of the acquisition on April 15, 2021. For the purpose of calculating the comparable change, the period prior to April 15, 2022 is eliminated as a portfolio effect in fiscal year 2022.

Revenue by region (location of customer)

(in millions of €)	Fiscal year 2022	Fiscal year 2021	%-Change Act.	%-Change Comp.[1]
Europe, C.I.S., Africa, Middle East (EMEA)	7,091	6,775	4.7%	–1.6%
Therein: Germany	1,434	1,745	–17.8%	–21.1%
Americas	8,789	6,407	37.2%	12.9%
Therein: United States	7,589	5,466	38.8%	13.2%
Asia, Australia	5,834	4,815	21.2%	7.0%
Therein: China	2,577	2,354	9.5%	–4.8%
Siemens Healthineers	**21,714**	**17,997**	**20.7%**	**5.9%**

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

Siemens Healthineers

On a comparable basis, revenue increased by 5.9% compared to the very good prior year. All segments contributed to the growth. Excluding the contribution from rapid COVID-19 antigen tests, comparable revenue growth was 3.8%. On a nominal basis, revenue increased by 20.7% to €21,714 million. The positive impact from currency translation effects was around 6 percentage points on revenue growth, while the positive impact of portfolio effects related to the Varian acquisition was almost 9 percentage points. The equipment book-to-bill ratio was an outstanding 1.23 in fiscal year 2022 and hence above the very good prior-year figure of 1.15.

Segments

Adjusted revenue in Imaging rose by 5.8% on a comparable basis. Magnetic Resonance showed significant growth. Computed Tomography recorded very strong growth. From a geographic perspective, comparable revenue growth was very strong in the Americas region, strong in the EMEA region, and moderate in the Asia, Australia region. On a nominal basis, adjusted revenue rose by 11.8% to €10,981 million.

Adjusted revenue in Diagnostics rose by 6.6% on a comparable basis. Excluding rapid COVID-19 antigen tests, revenue declined by 1.4%. The Americas and Asia, Australia regions reported outstanding revenue growth – in particular driven by the rapid COVID-19 antigen tests, which were approved for sale in the United States and Japan in fiscal year 2022; revenue in the EMEA region declined considerably due to a lower contribution from rapid COVID-19 antigen tests. On a nominal basis, adjusted revenue rose by 11.9% to €6,065 million. This includes revenue of almost €1,550 million from the sale of rapid COVID-19 antigen tests (prior year: around €1,080 million).

Varian generated adjusted revenue of €3,075 million. Compared with the prior year – the Varian acquisition was successfully completed on April 15, 2021 – this corresponds to growth of 6.5% on a comparable basis. Supply-chain delays weighed on revenue development. While the EMEA and Asia, Australia regions achieved double-digit growth over the prior year, the Americas region recorded a moderate decrease in revenue on a comparable basis.

Adjusted revenue in Advanced Therapies rose by 5.7% on a comparable basis. From a geographical perspective, comparable revenue growth was significant in the EMEA region and strong in the Americas region. In the Asia, Australia region, adjusted revenue declined slightly on a comparable basis. On a nominal basis, adjusted revenue rose by 11.9% to €1,920 million.

Regions

In EMEA, revenue declined on a comparable basis by 1.6%. This drop was due to lower demand for rapid COVID-19 antigen tests than in the prior year, which led to significantly lower adjusted revenue in the Diagnostics segment. Varian recorded sharp growth, Advanced Therapies significant growth, and Imaging strong growth.
Germany reported a revenue decrease of 21.1% on a comparable basis, primarily due to lower revenue from the rapid COVID-19 antigen testing business in the Diagnostics segment. Varian achieved sharp growth. Advanced Therapies and Imaging recorded moderate and slight growth respectively.

The 12.9% increase in comparable revenue in the Americas was driven by sharp growth in the Diagnostics segment, due in particular to increased revenue from rapid COVID-19 antigen testing business. Imaging contributed very strong growth and Advanced Therapies strong growth. This was partly offset by a moderate decline in the Varian segment.
In the United States, revenue increased on a comparable basis by 13.2%, with Diagnostics posting sharp growth, in particular driven by rapid COVID-19 antigen tests, which were approved for sale there in fiscal year 2022. Imaging contributed strong growth and Advanced Therapies moderate growth. Adjusted revenue for Varian declined strongly on a comparable basis.

In Asia, Australia, revenue increased on a comparable basis by 7.0%, driven in particular by sharp growth in the Diagnostics segment, due in particular to higher revenue from the rapid COVID-19 antigen testing business. Varian contributed significant growth and Imaging moderate growth, whereas adjusted revenue in Advanced Therapies declined slightly.
Due to the lockdowns, revenue in China decreased on a comparable basis by 4.8%. Varian posted a significant decline in adjusted revenue, Imaging a strong decline and Advanced Therapies a slight decline. In the Diagnostics segment, adjusted revenue rose slightly.

A.3.2.2 Adjusted EBIT

(Adjusted EBIT in millions of €, margin in %)	Fiscal year 2022	Fiscal year 2021
Adjusted EBIT Siemens Healthineers	**3,655**	**3,142**
Therein:		
Imaging	2,254	2,076
Diagnostics	933	721
Varian[1]	402	221
Advanced Therapies	240	254
Adjusted EBIT margin Siemens Healthineers	**16.8%**	**17.4%**
Therein:		
Imaging	20.5%	21.1%
Diagnostics	15.4%	13.3%
Varian	13.1%	17.0%
Advanced Therapies	12.5%	14.8%

[1] In the prior year, Varian has been included since closing of the acquisition on April 15, 2021.

Siemens Healthineers

Supported by the positive revenue development, from the rapid COVID-19 antigen testing business among others, and the first-time full-year earnings contribution from Varian, adjusted EBIT increased by 16% from the prior-year period. Cost increases, in particular for procurement and logistics, lockdowns in China, and negative currency effects impacted the adjusted EBIT margin for the fiscal year 2022, which came in at 16.8% after 17.4% in the prior year. Expenses for performance-related remuneration components were lower in all segments and central items compared to the prior-year period.

Research and development expenses increased by €239 million, or around 15%. Varian is included for a full fiscal year for the first time. A decrease in expenses for performance-related remuneration components had a partially offsetting effect. Excluding this effect, excluding Varian, and adjusted for currency translation, research and development expenses rose slightly compared to the prior year.

Selling and general administrative expenses increased by €591 million, or almost 21%. Varian is included for a full fiscal year for the first time. A decrease in expenses for performance-related remuneration components had a partially offsetting effect. Excluding this effect, excluding Varian, and adjusted for currency translation, selling and general administrative expenses rose notably compared to the prior year due, in particular, to business growth.

Segments

The adjusted EBIT margin of Imaging was 20.5%, below the prior-year level of 21.1%. This was due mainly to cost increases, in particular for procurement and logistics, lockdowns in China, and negative currency effects. Adjusted EBIT increased to €2,254 million supported by positive revenue development.

In Diagnostics, the adjusted EBIT margin of 15.4% was above the prior-year level of 13.3%, mainly benefiting from higher revenue from rapid COVID-19 antigen tests. This was partly offset by cost increases, in particular for procurement and logistics, lockdowns in China, and negative currency effects. Adjusted EBIT increased to €933 million.

Varian's adjusted EBIT margin of 13.1% was below the very high prior-year level of 17.0%. This was due, particularly, to supply-chain delays and cost increases, in particular from procurement and logistics. The prior year benefitted from a one-time effect from risk provisions and the closing of the transaction at the middle of the month. Adjusted EBIT increased to €402 million. In the prior year, Varian was included for only 5.5 months.

In Advanced Therapies, the adjusted EBIT margin of 12.5% was below the prior-year level of 14.8%. It was mainly affected by cost increases, in particular from procurement and logistics, and by lockdowns in China. Adjusted EBIT declined to €240 million.

Reconciliation to consolidated financial statements

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

(in millions of €)	**Fiscal year 2022**	**Fiscal year 2021**
Adjusted EBIT	**3,655**	**3,142**
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	–609	–381
Transaction, integration, retention and carve-out costs	–49	–123
Gains and losses from divestments	1	3
Severance charges	–71	–68
Total adjustments	–728	–569
EBIT	**2,927**	**2,573**
Financial income, net	–127	–169
Income before income taxes	**2,800**	**2,404**
Income tax expenses	–746	–658
Net income	**2,054**	**1,746**

The line item amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments increased to €609 million due to the acquisition of Varian that was closed on April 15 in the prior year. Transaction, integration, retention and carve-out costs decreased to €49 million. In the prior year, they included considerably higher costs from the Varian acquisition.

Financial income, net increased to negative €127 million, including a negative effect from the application of the financial reporting regulations for high-inflation countries amounting to €36 million. The prior year included negative effects in connection with the settlement of the deal contingent forward amounting to €89 million.

Income tax expenses increased by €87 million to €746 million. The effective income tax rate was at 26.6% in fiscal year 2022 – benefitting from a positive effect from the recognition of deferred tax assets – compared to 27.4% in the prior year. For further information, please refer to ➔ ***Note 4 Income taxes*** in the notes to the consolidated financial statements.

As a result of the factors described above, net income increased by €309 million to €2,054 million.

(in €)	Fiscal year 2022	Fiscal year 2021
Basic earnings per share	**1.81**	**1.57**
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	0.54	0.35
Transaction, integration, retention and carve-out costs	0.04	0.11
Severance charges	0.06	0.06
Transaction-related costs within financial income	-	0.11
Tax effects on adjustments[1]	–0.17	–0.17
Adjusted basic earnings per share	**2.29**	**2.03**

[1] Calculated based on the income tax rate of the respective reporting period.

Due to the developments described above, adjusted basic earnings per share for fiscal year 2022 rose by 13% to €2.29. The slightly higher adjustments compared with the prior year were due mainly to expenses connected with the acquisition of Varian.

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:

(in millions of €)	Sept 30, 2022	Sept 30, 2021[1]
Operating net working capital	3,651	3,210
Remaining current assets	1,115	822
Remaining non-current assets	33,614	30,652
Net debt (including pensions)	–12,717	–12,809
Remaining current liabilities	–3,111	–3,135
Remaining non-current liabilities	–2,701	–2,686
Total equity	**19,852**	**16,055**

[1] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

Operating net working capital

(in millions of €)	Sept 30, 2022	Sept 30, 2021[1]
Trade and other receivables	4,287	3,740
Contract assets	1,412	1,116
Inventories	4,009	3,179
Trade payables	–2,315	–1,921
Contract liabilities	–3,749	–2,901
Receivables from and payables to the Siemens Group from operating activities	8	–3
Operating net working capital	**3,651**	**3,210**

[1] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

Operating net working capital increased by €441 million to €3,651 million, in particular due to effects from currency translation and strong revenue growth in the fourth quarter of fiscal year 2022.

Within operating net working capital, inventories increased by €830 million. In addition to effects from currency translation, this increase was attributable to activities related to ensuring delivery capability in all segments. Correspondingly, trade payables increased. The growth of trade receivables resulted from the growth in business volume. This, together with longer average periods between order intake and the completion of contract performance, due to headwinds from COVID-19 and supply chain-related delays, resulted in an increase of contract assets and contract liabilities.

Remaining current assets

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Other current financial assets[1]	308	163
Current income tax assets	73	56
Other current assets	619	489
Remaining current receivables from the Siemens Group	114	114
Remaining current assets	**1,115**	**822**

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

Remaining current assets increased by €292 million to €1,115 million. Other current financial assets and other current assets increased by €145 million and €131 million, respectively. The former increase was due to effects from currency translation and a payment of a security deposit.

Remaining non-current assets

(in millions of €)	Sept 30, 2022	Sept 30, 2021[2]
Goodwill	19,061	17,456
Other intangible assets	8,712	8,074
Property, plant and equipment	4,273	3,712
Investments accounted for using the equity method	32	33
Other financial assets[1]	517	436
Deferred tax assets	575	481
Other non-current assets	444	460
Remaining non-current assets	**33,614**	**30,652**

[1] Excluding fair value of forwards for hedging of foreign currency liabilities from financing activities.
[2] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

The growth in remaining non-current assets by €2,962 million, to €33,614 million, resulted largely from currency translation effects, particularly for the line item goodwill and other intangible assets. In addition, the increase of property, plant and equipment of €561 million was due to investments in capacity expansions, mainly in Germany and China.

Net debt (including pensions)

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Cash and cash equivalents	–1,436	–1,322
Current receivables from the Siemens Group from financing activities	–690	–594
Non-current receivables from the Siemens Group from financing activities	–2	-
Current liabilities to the Siemens Group from financing activities	2,608	1,926
Non-current liabilities to the Siemens Group from financing activities	13,347	11,708
Fair value of forwards for hedging of foreign currency liabilities from financing activities	–2,476	–498
Short-term financial debt and current maturities of long-term financial debt	234	225
Long-term financial debt	464	457
Net debt	**12,049**	**11,901**
Provisions for pensions and similar obligations	668	908
Net debt (including pensions)	**12,717**	**12,809**

Net debt

The line items cash and cash equivalents, and current receivables from and current liabilities to the Siemens Group from financing activities, particularly include, in addition to current loans, the cash pooling with the Siemens Group. Changes were attributable to income and expenditures from operations and to short-term investment or borrowing of liquidity. Together with the credit facilities, these line items collectively make up the company’s funds available at short notice.

As of September 30, 2022, net debt amounted to €12,049 million, nearly the same level as in the prior year.

Along with currency translation effects related to U.S. dollar loans, the changes in current and non-current liabilities to the Siemens Group from financing activities resulted particularly from the following activities:

- Two loans granted by the Siemens Group in the amount of US$1.2 billion and US$0.7 billion maturing in fiscal year 2023 were reclassified as short term.
- The term of a loan granted by the Siemens Group in the amount of €850 million and originally maturing in fiscal year 2022, which was granted in the prior fiscal year in connection with the financing of the acquisition of Varian, was extended until fiscal year 2029 and reclassified as long term.
- The outstanding portion of a loan granted by the Siemens Group in the amount of €700 million and maturing in fiscal year 2022 was repaid. For refinancing purposes, a loan in the same amount maturing in fiscal year 2025 was taken out with the Siemens Group.

Furthermore, the positive fair value of forward contracts for hedging of foreign currency liabilities from financing activities increased by about €2.0 billion. These derivatives were entered into to hedge the foreign currency risks of loans denominated in U.S. dollars. For further information regarding derivatives, please refer to ➔ ***Note 25 Financial instruments and hedging activities*** in the notes to the consolidated financial statements.

Pensions

Provisions for pensions and similar obligations decreased due mainly to increases in discount rates in countries with significant pension commitments. The effect from discount rates was partly offset by a decrease in plan assets. In total, the line item decreased by €240 million. For additional information, please refer to ➔ ***Note 21 Provisions for pensions and similar obligations*** in the notes to the consolidated financial statements.

Financing management

In fiscal year 2021, the Siemens Group provided loans with various maturities with regard to the financing of the acquisition of Varian. As of September 30, 2022, the volume and maturity were structured as follows:

- US$1.2 billion maturing in fiscal year 2023,
- US$1.0 billion maturing in fiscal year 2024,
- US$1.5 billion maturing in fiscal year 2024,
- US$1.7 billion maturing in fiscal year 2026,
- US$1.2 billion maturing in fiscal year 2028,
- €0.9 billion maturing in fiscal year 2029,
- US$1.7 billion maturing in fiscal year 2031, and
- US$1.5 billion maturing in fiscal year 2041.

With the exception of the loan of US$1.0 billion, the loans have fixed interest rates. The resulting foreign currency risks were hedged by forward exchange contracts and by foreign exchange swaps. As a result, the loans with fixed interest rates were effectively converted into synthetic euro-denominated loans, and actual interest expenses decreased due to positive forward elements of the forward exchange contracts and foreign exchange swaps. Only the nominal volume of the loan with a variable interest rate was hedged. In total, the actual current volume-weighted average interest rate of the U.S. dollar-denominated loans amounts to approximately 0.5%. The loan maturing in fiscal year 2029 carried a contractual interest rate of 3.6%.

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

- US$0.7 billion maturing in fiscal year 2023,
- €0.7 billion maturing in fiscal year 2025,
- US$1.7 billion maturing in fiscal year 2027, and
- US$1.0 billion maturing in fiscal year 2046.

In fiscal year 2019, the U.S. dollar-denominated loans maturing in fiscal years 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 2046 carried a contractual interest rate of 3.4%. The loan maturing in fiscal year 2025 has a variable interest rate.

As of September 30, 2022, 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. Currently excluded therefrom are the entities that were acquired as part of the acquisition of Varian in fiscal year 2021. 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 ensure funding needs of some Siemens Healthineers entities that 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, 2022, a multicurrency revolving credit facility existed in an amount of up to €1.1 billion (September 30, 2021: €1.1 billion). It serves as financing of net working capital and as a short-term credit facility. Additionally, a multicurrency revolving credit facility in an amount of up to €1.0 billion (September 30, 2021: €1.0 billion) was granted as a backup facility. Both credit facilities are available until January 31, 2023 and were utilized as of September 30, 2022 in the amount of €200 million (September 30, 2021: €311 million).

Please refer to ➔ ***Note 15 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, 2022	Sept 30, 2021[2]
Other current financial liabilities[1]	343	263
Current provisions	358	386
Current income tax liabilities	609	468
Other current liabilities	1,799	2,016
Remaining current liabilities to the Siemens Group	2	1
Remaining current liabilities	**3,111**	**3,135**

[1] Excluding fair value of forwards for hedging of foreign currency liabilities from financing activities.
[2] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

Remaining current liabilities decreased slightly by €24 million to €3,111 million. Other current liabilities decreased by €217 million due mainly to lower accruals related to performance-related remuneration components. This was partly offset by an increase of current income tax liabilities of €141 million, in particular, due to higher earnings.

Remaining non-current liabilities

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Deferred tax liabilities	2,110	2,082
Non-current provisions	173	150
Other non-current financial liabilities[1]	13	19
Other non-current liabilities	405	435
Remaining non-current liabilities	**2,701**	**2,686**

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

Total equity

(in millions of €)	Sept 30, 2022	Sept 30, 2021[1]
Issued capital	1,128	1,128
Capital reserve	15,861	15,818
Retained earnings	894	–300
Other components of equity	2,357	–369
Treasury shares	–405	–240
Total equity attributable to shareholders of Siemens Healthineers AG	**19,836**	**16,037**
Non-controlling interests	16	18
Total equity	**19,852**	**16,055**

[1] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

Equity rose by €3,796 million to €19,852 million.

Retained earnings increased by €1,194 million, mainly due to net income for fiscal year 2022 of €2,054 million. This was partly offset by dividend payments of €955 million.

Other components of equity increased by €2,726 million, due in particular to currency translation differences. This was partly offset by a decrease of the cost of hedging reserve associated with foreign currency loans.

In fiscal year 2022, an increased number of treasury shares was repurchased to fulfill share-based payment programs based on shares of Siemens Healthineers AG. Thus, treasury shares increased by €165 million to €405 million. The increase was attributable to the growing transformation of the share-based payment programs from Siemens AG shares to Siemens Healthineers AG shares since the IPO in fiscal year 2018.

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 2022**	**Fiscal year 2021**
Net income	2,054	1,746
Change in operating net working capital	–178	–97
Other reconciling items to cash flows from operating activities	628	1,285
Cash flows from operating activities	**2,504**	**2,933**
Cash flows from investing activities	**–868**	**–14,140**
Cash flows from financing activities	**–1,644**	**11,839**

Operating activities

Cash flows from operating activities grew by €429 million to €2,504 million.

The change in operating net working capital based on increased business volume had a negative impact of €178 million on cash flows from operating activities, €81 million more compared to the previous year. This also includes an increase compared to the previous year of €459 million in the use of funds for inventories in order to ensure delivery capability. This was partly offset by cash inflows resulting in the increase of contract liabilities as described in the section Operating net working capital in
➔ ***A.3.3.1 Net assets and capital structure.***

The decrease in other reconciling items to cash flows from operating activities had a significantly stronger impact. This resulted mainly from the fact that, in contrast to the previous year, non-cash expenses for performance-related income components were significantly lower than the cash payouts.

Investing activities

Cash outflows from investing activities decreased by €13,272 million to €868 million. The prior-year result was due primarily to the payment for the acquisition of Varian in the prior year. Cash outflows due to additions to intangible assets and property, plant and equipment grew by €178 million. The increase was mainly a result of investments for expanding capacity.

Financing activities

Cash inflows from financing activities decreased by €13,483 million to €–1,644 million. In fiscal year 2021 this line item was strongly influenced by financing of the Varian acquisition.

Further cash outflows resulted from dividends paid to shareholders of Siemens Healthineers AG amounting to €955 million (2021: €856 million). In addition, cash outflows for interest paid to the Siemens Group increased by €91 million, to €218 million, and payments for the repurchase of treasury shares to fulfill share-based payment programs increased by €54 million, to €309 million.

In the prior year, cash inflows from granted loans and the issuance of new shares to finance the acquisition of Varian had a strong impact.

Free cash flow

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

(in millions of €)	**Fiscal year 2022**	**Fiscal year 2021**
Cash flows from operating activities	**2,504**	**2,933**
Additions to intangible assets and property, plant and equipment	–852	–674
Free cash flow	**1,652**	**2,259**

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 2022, additions mainly included capacity expansions, acquisition of special tooling and machinery as well as automation.

Diagnostics: In fiscal year 2022, additions to intangible assets were primarily attributable to product developments within the Atellica Solution and Central Lab product lines. Additions to property, plant and equipment mainly related to investments in production facilities in China and the United States.

Varian: In fiscal year 2022, additions mainly comprised investments related to capacity increase and business expansions.

Advanced Therapies: In fiscal year 2022, additions were mostly associated with machinery and tools for the new Artis Icono product family.

Siemens Healthineers had contractual obligations as of September 30, 2022, to purchase property, plant and equipment totaling €173 million (September 30, 2021: €184 million). These are mainly future payments related to real estate investments and will be financed mainly through the cash pooling of the Siemens Group.

A.3.4 Overall assessment of the economic position

With respect to our outlook provided in the Annual Report 2021, we expected for fiscal year 2022:

- For Siemens Healthineers: comparable revenue growth between 0% and 2% and adjusted basic earnings per share between €2.08 and €2.20.
- For the Imaging segment: comparable revenue growth between 5% and 8% and an adjusted EBIT margin between 22% and 23%.
- For the Diagnostics segment: mid-teens negative comparable revenue growth and an adjusted EBIT margin in the high single digits.
- For the Varian segment: adjusted revenue between €2.9 billion and €3.1 billion and an adjusted EBIT margin between 15% and 17%.
- For the Advanced Therapies segment: comparable revenue growth between 5% and 8% and an adjusted EBIT margin between 14% and 17%.

The outlook provided in the Annual Report 2021 was updated after the first quarter and at half-year as well as partly updated on the segment level after the third quarter (see table below). This was due in particular to a steady increase in expectations regarding revenue from rapid COVID-19 antigen tests in the Diagnostics segment (from around €200 million in the Annual Report 2021 to approximately €1.5 billion in the quarterly statement for the third quarter), the lockdowns in China, and cost increases, in particular for procurement and logistics.

In the outlook updated after the third quarter of the fiscal year 2022 (hereinafter "the outlook Q3 2022"), we expected comparable revenue growth between 5.5% and 7.5% compared to fiscal year 2021 and adjusted basic earnings per share between €2.25 and €2.35, both unchanged from the half-year outlook. The outlook Q3 2022 was based on several assumptions. These included the expectation that there would be no further negative impact from measures to keep the COVID-19 pandemic globally under control. We expected that procurement and logistics costs would increase further. Regarding developments related to the war in Ukraine, we assumed there would be no material adverse effect on our business activities. The outlook was based also on current exchange rate assumptions and excluded portfolio activities. Furthermore, it was based on the number of outstanding shares at the end of fiscal year 2021 and excluded charges related to legal, tax, and regulatory matters and frameworks.

For fiscal year 2022, Siemens Healthineers' comparable revenue growth was 5.9% and therefore within our expected target corridor in the outlook Q3 2022.

On a comparable basis, adjusted revenue increased by 5.8% in the Imaging segment, by 6.6% in the Diagnostics segment and by 5.7% in the Advanced Therapies segment. Hence, we met our expectations with respect to comparable revenue growth in the outlook Q3 2022. Adjusted revenue of the Varian segment amounted to €3,075 million, so we were able to achieve a result within the expected target corridor here as well.

With 20.5%, the adjusted EBIT margin of Imaging was within our expected target corridor in the outlook Q3 2022. Diagnostics achieved an adjusted EBIT margin of 15.4%, and hence fulfilled the expectation in the outlook Q3 2022. With 13.1%, the adjusted EBIT margin of Varian was below expectations in the outlook Q3 2022. This was due primarily to supply-chain delays resulting in a less favorable business mix as well as higher negative currency effects than expected in the third quarter. Advanced Therapies met the margin expectation in the outlook Q3 2022 with an adjusted EBIT margin of 12.5%.

Net income increased by 18% to €2,054 million, mainly due to higher EBIT. The higher net income resulted in an increase of 13% in adjusted basic earnings per share to €2.29. Hence, adjusted basic earnings per share were in the expected target corridor in the outlook Q3 2022. Therefore, we fulfilled our outlook for Siemens Healthineers for fiscal year 2022.

The Managing Board and the Supervisory Board will propose to the Shareholders' Meeting the distribution of a dividend of €0.95 per share entitled to the dividend. This amount is above the prior-year level of €0.85 and in total represents approximately €1,063 million in expected payments. Based on the net income of €2,054 million for fiscal year 2022, the dividend payout percentage is approximately 52%.

		Development of outlook FY 2022				
		Annual Report 2021	**Quarterly Statement Q1**	**Half Year Financial Report**	**Quarterly Statement Q3**	**Results FY 2022**
Siemens Healthineers	Comparable revenue growth	0% to 2%	3% to 5%	5.5% to 7.5%	5.5% to 7.5%	5.9%
	Adjusted basic earnings per share	€2.08 to €2.20	€2.18 to €2.30	€2.25 to €2.35	€2.25 to €2.35	€2.29
Segments						
Imaging	Comparable revenue growth	5% to 8%	5% to 8%	6% to 8%	5% to 7%	5.8%[1]
	Adjusted EBIT margin	22% to 23%	22% to 23%	21% to 22%	20% to 21%	20.5%[2]
Diagnostics	Comparable revenue growth	Negative mid-teens	Negative low single-digit	Mid single-digit	Mid single-digit	6.6%
	Adjusted EBIT margin	High-single digits	Low teens	Low to mid-teens	Low to mid-teens	15.4%
Varian	Adjusted revenue	€2.9 billion to €3.1 billion	€2.9 billion to €3.1 billion	€2.9 billion to €3.1 billion	€2.9 billion to €3.1 billion	€3.1 bn[3]
	Adjusted EBIT margin	15% to 17%	15% to 17%	15% to 17%	14% to 15%	13.1%[4]
Advanced Therapies	Comparable revenue growth	5% to 8%	5% to 8%	5% to 8%	5% to 8%	5.7%
	Adjusted EBIT margin	14% to 17%	14% to 17%	14% to 17%	11% to 13%	12.5%

[1] FY 2022 comparable based on the organizational structure effective October 1, 2022: 5.8%.
[2] FY 2022 comparable based on the organizational structure effective October 1, 2022: 20.4%.
[3] FY 2022 comparable based on the organizational structure effective October 1, 2022: €3,130 million.
[4] FY 2022 comparable based on the organizational structure effective October 1, 2022: 15.9%.

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 of the annual report of Siemens Group for fiscal year 2022. Siemens Group's annual report will be published on the Internet at ➔ ***www.siemens.com/investor/en/publications_calendar.php***.

A.5 Report on expected developments

A.5.1 Expected market development

The development of the COVID-19 pandemic continues to be characterized by volatility and rapid swings. Although the rollout of vaccines and therapies helped to stem deaths and hospitalizations, and the predominant virus variant (Omicron) that emerged early in fiscal year 2022 causes less severe diseases, uncertainty regarding future developments and possible emergence of new variants with unpredictable impacts clearly remains. The pandemic still represents a public health emergency of international concern, and it is uncertain when an endemic state will be reached. In addition to the challenges of COVID-19, other geopolitical and macroeconomic risks are influencing the market environment. Inflation, instability and uncertainty in Ukraine and in supply chains, and the resulting consequences may have a negative impact on the medical technology market. In addition to the challenges caused by the pandemic and pre-existing staff shortages, hospitals are now being burdened by increased energy prices. Healthcare budget restraints, potential shifts in budget allocations and increased price sensitivity may have different effects on markets in individual business areas. A possible increase in customer selling prices in medtech, due to high global inflation and increased costs in production, materials and supply chains, may lead to weaker demand. To increase resilience in health systems and improve the health of the population, initiatives should, among other things, include the improvement of pandemic prevention and a drive to increase investment in national health systems and innovation. The positive effect on relevant market segments within the medtech landscape and on certain technologies (e.g., telehealth, artificial intelligence, and big data) could continue in the next fiscal years.

Lastly, it is still challenging to reliably estimate the impact of COVID-19 and the above-mentioned geopolitical and macroeconomic risks on our addressed markets and the corresponding expected market developments. Given these unpredictabilities, the customary and historic development patterns of Siemens Healthineers' markets may be only partially suitable for forecasting purposes. Nevertheless, we expect that the underlying trends described in ➔ ***A.1.2 Business environment*** are and will remain intact. To address these planning uncertainties, we continuously evaluate the impact of the COVID-19 pandemic and macroeconomic risks on our addressed markets. This includes monitoring debates on potential approaches to reforming national health systems and the development of inflation.

The Imaging market is expected to grow moderately overall in fiscal year 2023, driven mainly by pent-up demand for major modalities. Additional demand will also be generated by digital growth areas such as AI-based clinical decision support and telehealth. Geopolitical uncertainties, high ongoing price increases, and difficulties in delivery due to material shortages are challenges that the market could face.

The Diagnostics market is expected to achieve modest growth in fiscal year 2023, excluding COVID-19 testing and molecular diagnostics, and to return to pre-COVID-19 market growth across most regions. We expect moderate growth from the point-of-care market, if rapid antigen tests are not considered in this context. We expect moderate growth in the market for laboratory diagnostics for routine care as in pre-COVID-19 times. While molecular diagnostics was a growth driver at the beginning of the pandemic, we expect the relevant market to decline sharply. The expected development of the market for our Diagnostics segment is largely dependent on the development of the COVID-19 pandemic, such as additional pandemic waves, new variants, the severity of disease cases, and governmental responses. Overall, COVID-19-related test volumes across molecular, point-of-care, and laboratory diagnostics are expected to slow further as the pandemic enters the endemic phase and test demand softens. Challenges such as prolonged inflation, supply chain challenges, and geopolitical uncertainties could lead to a negative impact on markets in some countries.

The market for Varian is expected to continue its significant growth. Despite macroeconomic headwinds and global supply chain challenges, the resumption of oncology investments is expected to increase. In developed markets, these investments are expected to be driven by customer demand for new products and services that enable implementation of advanced oncology therapies and solutions. In developing markets, investments will be driven by still inadequate access to fundamental oncology equipment and services for many patients.

The expectation for the Advanced Therapies segment is that the market will continue to grow strongly in fiscal year 2023 but at a more measured pace than in fiscal year 2022. Market growth is supported by pent-up demand in many major countries due to COVID-19 restrictions and by government funding programs. At the same time, general economic conditions, including inflation, supply chain disruptions and shortages of healthcare staff, are expected to hold back market development.

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

A.5.2 Expected business development

In fiscal year 2023, as in the prior year, we will use comparable revenue growth and adjusted EBIT margin (for the segments) and adjusted basic earnings per share (for Siemens Healthineers) for purposes of management control.

Development in the Imaging segment will be based primarily on recent and planned launches of new products and platforms along with sales of imaging products and services from our existing portfolio. In fiscal year 2023, we expect comparable revenue growth of between 7% and 9% in the Imaging segment and an adjusted EBIT margin of between 21% and 22.5%.

Our business expectations for the Diagnostics segment are based on new products and an improvement in diagnostic techniques as well as an anticipated increased demand from emerging markets and an anticipated rise in awareness regarding preventive health checks (wellness testing). The outlook is based on the assumption that we will generate only €100 million in revenue from rapid COVID-19 antigen tests and includes negative impacts within adjusted EBIT of €100 million to €150 million in context with a transformation of the Diagnostics business. In fiscal year 2023, we expect comparable revenue growth in the Diagnostics segment of between -21% and -19%. Excluding revenue from rapid COVID-19 antigen tests, this corresponds to comparable revenue growth of between 3% and 5%. We expect an adjusted EBIT margin of between 0% and 3%.

Development in the Varian segment will be determined by sales of comprehensive multi-modality cancer care technologies, services, and digital solutions and applications. Continued portfolio expansion will support our growth expectations. In fiscal year 2023, we expect comparable revenue growth of between 9% and 12% in the Varian segment and an adjusted EBIT margin of between 16% and 18%.

Our growth expectations for the Advanced Therapies segment are based on a sustainable development of the business environment in all addressed clinical areas and the megatrend of minimally invasive interventions. In fiscal year 2023, we expect comparable revenue growth of between 6% and 9% in the Advanced Therapies segment and an adjusted EBIT margin of between 13% and 15%.

A.5.3 Overall assessment of the expected development

For fiscal year 2023, we expect comparable revenue growth to be in the range of -1% to 1% compared with fiscal year 2022. Excluding revenue from rapid COVID-19 antigen tests, this corresponds to comparable revenue growth of between 6% and 8%. We expect adjusted basic earnings per share to be between €2.00 and €2.20.

We are exposed to exchange rate effects, particularly involving the U. S. dollar and the currencies of emerging markets such as the Chinese yuan. We expect volatility in global currency markets to continue in fiscal year 2023. 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 2023.

The outlook is based on several assumptions including the expectation that current and potential future measures to keep the COVID-19 pandemic under control will not negatively impact demand for our products and services. Regarding developments related to the war in Ukraine, we assume there will be no material adverse effect on our business activities. The outlook is also based on the current macroeconomic environment and current exchange-rate assumptions, and excludes portfolio activities. The outlook further excludes charges related to legal, tax, and regulatory matters and frameworks. The expected adjusted basic earnings per share are based on the expected income tax-rate for fiscal year 2023 and on the number of outstanding shares at the end of fiscal year 2022.

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

A.6 Report on material risks and opportunities

A.6.1 Risk management

Basic principles of risk management

For us, diligent handling of risks and opportunities is part of responsible corporate governance and supports our pursuit of sustainable growth and thereby increased company value. Hence it is essential to manage risks and opportunities appropriately. Our risk management is therefore an integral part of the planning and implementation of our business strategies. The risk management policy is set by the Managing Board. In accordance with our organizational and accountability structure, the respective management of a business, region or function 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 auditors regularly review the adequacy and effectiveness of our risk management. Accordingly, if deficits are detected, it is possible to adopt appropriate measures to eliminate them. This coordination of processes and procedures is intended to help ensure that the Managing Board and the Supervisory Board are fully informed about significant risks in a timely manner.

Risk management at Siemens Healthineers builds on a comprehensive, interactive and management-oriented Enterprise Risk Management (ERM) approach. This approach is integrated into the organization and addresses both risks and opportunities. It is based on the globally accepted COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework "Enterprise Risk Management – Integrating with Strategy and Performance" (2017) as well as the ISO (International Organization for Standardization) Standard 31000 (2018), and is adapted to Siemens Healthineers' requirements. The frameworks connect the ERM process with our financial reporting process, our internal control system and compliance management system. They consider the 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 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 within the ERM approach is typically three years, and we take a net approach, addressing risks and opportunities remaining after the execution of existing and effective control measures. If risks or opportunities have already been considered in plans, budgets, forecasts or the financial statements (for example as a provision or risk contingency), they have been incorporated, with their financial impact, in the entity's business objectives. As a consequence, only additional risks or opportunities 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 including social and environmental factors 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 management of the Siemens Healthineers businesses and regions. 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 assignment of responsibility depends on the significance of the risk or opportunity. In a first step, assuming responsibility involves choosing one of our general response strategies. The general response strategies with respect to risks are to avoid, transfer, reduce, retain or watch the relevant risk.

The general response strategy for opportunities is to pursue the opportunity concerned. In a second step, responsibilities involve developing, initiating and monitoring appropriate response measures according to the chosen response strategy, within an appropriate time frame. To allow for effective risk management, these response measures must be specifically tailored to relevant circumstances. Accordingly, we have developed a variety of response measures.

In order to allow for a meaningful discussion at the Company level, individual risks and opportunities of similar cause-and-effect nature are aggregated into risk and opportunity themes. This aggregation naturally results in a mixture of risks, including those with a primarily qualitative assessment and those with a primarily quantitative risk assessment. Accordingly, we do not adopt a purely quantitative assessment of risk themes. The same applies for opportunities. The quarterly risk and opportunity assessments as well as our bi-annual risk-bearing capacity assessment then form the basis for the evaluation of the company-wide risk and opportunity situation.

A.6.2 Risks

Hereafter we describe risks that could have a material adverse effect on our business objectives, 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 current assessment of the relative risk exposure for Siemens Healthineers 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

Economic, Political and Geopolitical Developments

We operate production, development and service facilities in a number of countries and market our products, solutions and services worldwide. Global or regional economic, political and geopolitical instability as well as continuing uncertainties and challenging conditions in some markets may result in significant adverse business impacts including non-sustainable business development, diverted management attention or less competitive strength. There is an increase in governmental protectionism in recent years due to the political environment. We could be confronted with protectionist trade policies and barriers such as import and export controls, tariffs and non-refundable taxes on foreign value added. Other protectionist measures could include the imposition of localization requirements or local ownership and shareholder regulations as well as other regulatory burdens. Those policies and measures could negatively affect our business and market share. It could also reduce our profits if we cannot pass additional costs along to customers. In addition, we might be exposed to penalties and sanctions or have a worse competitive position in bidding processes. Furthermore, the United States and China are important markets, and the trade conflict between the two countries burdens our relevant business. In addition to punitive tariffs, this also carries the risk that free market access will be impaired. Additional governmental influences and regulations in key countries, such as China's five-year plans, could negatively affect our development in such countries and result in a loss of market share. Further risks stem from geopolitical tensions (for example concerning Russia, Ukraine, China, Taiwan, Iran, Syria and North Korea) and conflicts which may potentially arise. Especially the war in Ukraine and its broad geopolitical and macroeconomic consequences could continue to adversely impact our business. We also see some uncertainty regarding the current European political environment and a risk to the European Union in its current form. This affects unity in foreign policy, stability of fiscal policy, discussions about a crisis of the euro and further debates regarding national independence. Besides, a slowdown or decline of global macroeconomic growth could lead to adverse effects on our business. Healthcare markets, especially in emerging countries, might not achieve the growth we anticipated. In addition, we might face higher costs for the sourcing of materials, parts and components due to rising inflation rates. We might not be able to successfully adapt our production and cost structure to changes in our markets which could result in a margin erosion. If we do not meet the market requirements we might experience declining demand for our products and lose market share to our competitors. In some sectors in which we operate, consolidation on the customer side is increasing. If our customers combine through mergers and acquisitions, join group purchasing organizations or otherwise collectively enter our markets, it could result in a lower sales volumes and higher price pressure. To counter these risks and identify critical cases, we constantly monitor economic, political and geopolitical developments and their indicators. Based on this we adapt our processes and business model to possible changes arising from protectionism, ensure compliance with legal requirements and educate the organization about these changes. In addition, we set up dedicated task forces and coordinate local response plans where necessary. We also maintain an exchange of information within industrial associations and take advantage of opportunities to engage in discussions with local authorities. Other measures include strategic and sales push initiatives, the implementation of productivity measures, projects to achieve target costs, optimization of our product portfolio or price increases. Siemens Healthineers' global setup, with operations in almost all relevant economies, together with the variety of our products and services, can contribute to offset the impact of an unfavorable development in a single market. Due to the volatile situation and uncertainty of the full extent of current developments the worldwide effects and consequences cannot be fully anticipated. We continue to observe these on an ongoing basis in order to quickly identify changes, evaluate potential impacts, assess risks, adjust our measures accordingly and strengthen our resilience.

Transactional Risks (M&A)

Our business strategy includes amongst others the acquisition of companies and business activities that expand or complement our existing business such as the acquisition of Varian Medical Systems, Inc. in fiscal year 2021. Successful growth through acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions at favorable terms and ultimately complete such transactions as well as integrate the acquired companies successfully. Mergers and acquisitions (M&A) are generally associated with risks due to the difficulties that may arise when integrating people, operations, technologies and products. Our assessments and assumptions regarding acquisition targets may not prove to be correct and actual developments may differ significantly from our expectations. This could mean that the expected synergies such as cost savings may not be fully realized. In addition, it is possible that the intended combination of companies, processes and employees will be more complex than expected and cannot be completed within the planned time frame. Acquisitions could lead to an increased and unsustainable workload for employees as well as affect employee engagement and well-being. If we cannot successfully integrate newly acquired companies including their corporate culture into our existing operations, then additional expenses, delays and difficulties such as the loss of employees in key roles and higher staff turnover could occur. This could negatively impact our know-how and our ability to innovate as well as our relations with customers, suppliers, partners licensors or other stakeholders. Furthermore, unforeseen acquisition, administrative, tax and other expenditures may incur in connection with these transactions, including costs related to integration of acquired businesses. Should the business performance of the acquired company be below our expectations on a lasting basis, this could lead to impairment losses, in particular on goodwill and intangible assets which could adversely affect our net assets and results of operations. We counter these risks by carefully selecting the companies to be acquired and by conducting a thorough due diligence. We also create detailed integration plans, set up integration projects and strive to implement them in a way that countermeasures can be initiated in a timely manner. Moreover, we support the integration of corporate cultures and change management by providing clarity about organizational structures to employees and developing and executing clear communication plans. In addition, we strive to achieve and maintain employee loyalty through adequate incentive and compensation programs as well as access to additional local benefits and the company infrastructure.

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 might vary, partly due to rapid and significant changes resulting from the introduction of innovative and disruptive technologies. There could be new competition such as medical technology companies in the low-price segment or niche markets, as well as independent service organizations, or existing competitors that want to expand their business with new portfolio elements, introduce new business models, or expand their global presence. Against the backdrop of rapid technological progress, new companies previously outside the industry, such as IT companies or start-ups in the area of AI-based decision support solutions might also become competitors. Some of these competitors may have more experience or greater resources in certain fields. Moreover, some of our products address markets that are still developing and characterized by rapidly evolving technology, varying degrees of market acceptance, and pricing pressure. We are also impacted by the pricing decisions of our competitors, timing of their product introductions, and the rate of market penetration by competitive products, which could render our products less competitive. If we cannot successfully provide technically superior, proven products that deliver more precise, cost-effective, high quality clinical capabilities, in a complete package of products and services, ahead of our competitors we might lose market share and be forced to adapt our prices. New competitors may also delay the purchasing decisions of customers if they decide to evaluate the products of such competitors along with ours, potentially extending our sales cycle and adversely affecting our orders and revenues. Furthermore, some of our competitors may not be subject to the same standards, regulatory and/or other legal requirements that we are subject to, and therefore, they could have a competitive advantage in developing, manufacturing and marketing products and services while we might be slower to the market and face reduced sales. We counter these risks by constantly monitoring existing competitors, known potential competitors, and barriers to market entry, as well as by adapting our strategies and measures accordingly. Other measures include 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, out-sourcing, mergers and establishment of joint ventures, as well as by exporting from low-cost countries to price-sensitive markets and optimizing our product portfolio.

A.6.2.2 Operational risks

Cybersecurity

We observe a global increase of cybersecurity threats and higher levels of sophistication in cybercrime in the healthcare industry intensified by the COVID-19 pandemic and current geopolitical crises. With our business in healthcare, the products, solutions, and services of Siemens Healthineers are therefore exposed to a particularly high cyber risk. Disruption of our critical information systems, significant cyberattacks or security breaches of our products may adversely affect our business and customer relations. As an example, ransomware attacks against healthcare providers have major impacts on the provision of healthcare services and continue to be a significant risk to healthcare providers, threatening both patient treatment and the security of sensitive patient data. There are increasingly large volumes of information, including patient data, being generated that need to be securely processed and stored by the healthcare organizations involved. In the event of cyber-attacks, the security of the data and the privacy of the patients treated with the help of our products and solutions could be at risk. Although we have implemented security measures to protect our hardware and software products from unauthorized access, these measures may not be sufficiently effective in securing these products, particularly since techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target. A security breach could have serious negative consequences, including regulatory action, fines, penalties and damages, reduced demand for our products and solutions, an unwillingness of our customers to use our products and solutions and harm to our reputation and brand. The number and criticality of attacks against Siemens Healthineers, however, have not changed significantly. To address the risk, we have a global cybersecurity organization which engages all relevant areas of our company and integrates cybersecurity resources, expertise, and competence. The cybersecurity organization is governed and supported by a central team which is responsible for cybersecurity strategy, governance, and assurance. Our cybersecurity management system is certified under ISO 27001 and 27701 standards. In addition, we are committed to security and privacy by design and default, for both products and internal operations. Besides our established technical and organizational controls, we continuously strengthen the awareness of our employees so they can detect attacks at an early stage and react to them in an improved manner. This is particularly important as the number of employees working remotely is expected to remain on a high level. Moreover, we support business resilience with a focus on expanding, adapting and improving established security controls across the organization and the supply chain. Cybersecurity has a strategic relevance for sustainable business which is reflected by the fact that it is an essential part of our sustainability program. Furthermore, cybersecurity is a shared responsibility of all involved parties, and therefore we are also continually developing our ability to support our customers to protect themselves from cyberattacks. We have expanded our collaborations with healthcare providers, industry, partners, regulators and security researchers in line with the Charter of Trust principles for a secure digital world, through customer advisory boards, development of internal standards and exchanges of threat intelligence.

Supply Chain Management (SCM)

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

Product Development and Introduction

We develop, produce and sell a comprehensive portfolio of products, solutions and services (including accessories and software products) to a wide range of healthcare providers. With many of our products, solutions and services we are an industry-wide technology leader. Our results of operations depend to a significant extent on our technological leadership, as well as our ability to anticipate changes in our markets and to adapt the costs of producing our products to those changes. Our products, solutions, services and their enhancements often have long cycles of development and government approval. 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 research and development. We may need to spend more time and money than anticipated to develop and introduce new products, product enhancements or services, and may not be able to recover all or a meaningful part of our investments. 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 or in a timely manner particularly compared to our competitors, or even become obsolete. If we are not able to meet the clinical needs and provide operational as well as financial benefits to customers, we might not achieve anticipated growth and cash flows. This might lead to negative financial impacts such as the potential recognition of an impairment loss. Furthermore, cs 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 resulting 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 third parties, we might lose our technical leadership position and market share which could result in negative financial impact, loss of reputation or loss of 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 and are in regular exchange with customers and governments in order to identify and react to new demands early on, for example by jointly co-creating solutions with them especially in the area of digitalization. We constantly apply for new patents and actively manage our intellectual property portfolio to safeguard our leading technological position.

COVID-19 Pandemic

Since the beginning of calendar year 2020 we have been affected by impacts from the COVID-19 pandemic. The still volatile situation and its consequences, as well as the varying regulations around the world, may expose us to the risk of various negative impacts on our company. Amongst other things our employees' health and safety could be harmed. Lockdowns and resulting supply chain disruptions or COVID-19 infections among employees could impact our production and consequently interrupt deliveries and installations at customers. There might also be difficulties in fulfilling service contracts and performing maintenance in a timely manner. In addition, the forced limitation of sales activities could lead to negative impacts on order acquisition. Furthermore, we might also experience volatility or reductions in demand for certain products and services, or delays in the timing of orders which can lead to fluctuations in our results of operations, including orders, revenues, margins, and cash flows in some businesses. Due to the unpredictability of the developments, there might be additional unforeseen expenses that could adversely impact our financial position. We have initiated a set of situational measures to counter the risk and reduce impacts of the pandemic on our business. These include among others protecting our workforce (through for example mobile working, COVID-19 testing and vaccinations) and dedicated task forces if necessary. Due to the varying impact and different measures in every country, we are focusing on coordinating local response plans. In addition, we are ensuring close coordination with suppliers to react quickly when new measures and lockdowns come up. We continue to monitor 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.

A.6.2.3 Financial risks

Risks from Pension Obligations

Siemens Healthineers provides post-employment benefits for the majority of its employees, partly resulting in provisions for pensions. An increase of provisions for pensions due to an adverse development of plan assets or the defined benefit obligation is considered a significant risk. The funded status can be affected by changes in actuarial assumptions, primarily the discount rate, as well as by movements in financial markets. In order to comply with local pension regulations in selected foreign countries, we may face increasing cash outflows to reduce an underfunding of our pension plans in these countries. Regular asset liability studies are performed for major pension plans to implement an investment strategy to reduce liability risks and 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. In addition, increasing exchange rate fluctuations may result in significant volatility risk for earnings and cash flows. We are also exposed to risks resulting from fluctuations in interest rates. In order to optimize the allocation of financial resources across our segments and entities, as well as to achieve our objectives, we identify, analyze and manage the associated financial market risks. We seek to manage and control these risks primarily through our regular operating and financing activities and use derivative financial instruments when deemed appropriate.

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 in case law and their implementation, especially in cross-border transactions involving various jurisdictions. This can result in additional tax expenses and additional tax payments, double taxation and the imposition of penalties and interest payments, which would have a negative impact on the company's profit and cash flow. In addition, there might be tax increases in certain countries which could negatively affect our financial position and results of operations. Tax-related risks are identified, regularly monitored and assessed by the tax department, and necessary measures are taken.

Liquidity and Financing Risk

Our treasury and financing activities could face negative developments related to financial markets, such as limited availability of funds and hedging instruments, a change in assessment of our solvency or of our ESG performance (Environment, Social, Governance), 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 4 Income taxes*** in the notes to the Consolidated Financial Statements.

A.6.2.4 Compliance risks

Regulatory Environment

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

Compliance with Laws

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

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 current assessment of the relative risk exposure. The most significant risks we are currently exposed to are ➔ ***Economic, Political and Geopolitical Developments***, ➔ ***Cybersecurity*** and ➔ ***Supply Chain Management***. Compared to the prior year and as already described in the half-year financial report ➔ ***Economic, Political and Geopolitical Developments*** constitutes the most significant risk. In addition, the exposure of ➔ ***Supply Chain Management*** increased continuously following developments over the last quarters, making it one of the most significant risks. 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 form the core of our company in shaping the future of the healthcare industry. We invest significantly in research and development in order to develop innovative offerings for our customers. In doing so, we aim at the same time to safeguard our competitiveness. 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. Further business opportunities could also arise from developments around the COVID-19 pandemic such as tests related to the diagnosis of COVID-19, as well as increased investments in healthcare including technology-enabled healthcare solutions. We continuously strive to grow and expand our business in established markets, open up new markets for existing portfolio elements and strengthen our installed base in order to gain a higher market share and improved profitability. In addition, we aim to further develop our product portfolio and also grow into adjacent fields, especially in high-growth customer segments. This is achieved through various measures, such as targeted product development (for example entry-level systems), the expansion of our consulting competencies to strengthen our position as a trusted partner, the assessment of new market entry strategies, and M&A activities. We also tackle opportunities to contribute the know-how and technology of our company and its employees in adjacent areas for the benefit of patients and healthcare providers and thus generate additional business growth. Moreover, we see the opportunity to generate additional sales volume and profit from new and innovative digital products, services and solutions, including additional cybersecurity for our customers, preventive maintenance and data analytics. Furthermore, additional business opportunities could also arise from long-term value partnerships with healthcare providers, supporting our customers in setting up centers of excellence and jointly co-creating on solutions. In addition, the provision of funds by aid organizations such as the World Health Organization (WHO) or the EU as well as the provision of national funds, for example in the form of subsidies, could further increase. This could 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. Moreover, we aim to expand our business through sales growth programs. Higher reimbursement for innovative products might allow us to leverage additional sales opportunities. Greater sales coverage and improved identification of white spots can help us win larger deals as well as prolonged contracts which can generate additional revenue.

Efficiency Gains

Our comprehensive approach to our internal digital transformation and related investments could potentially support our growth, improve our cost position and increase our attractiveness as employer. The leverage of our digital skills, infrastructure, tools and data could enable us to achieve a significant increase in our economic performance across the entire value chain of the company. Further investments into efficiency measures, and the use of new technologies such as machine learning, digital twins and artificial intelligence, could potentially drive additional improvements in our processes and cost structures. Increased harmonization, collaboration and transparency throughout the entire organization could create synergies, lead to a faster decision-making process and reduce redundant efforts. 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. The evaluation of certain internal processes and systems can help us to identify potential for productivity and operational excellence. We realize this potential by consolidating and reducing the complexity of existing processes and by streamlining and modernizing them. 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.

Assessment of the overall opportunity situation

The order in which they are presented reflects the current assessment of the relative 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 internal control and risk management system

A.6.4.1 Internal Control and Risk Management System

Our Internal Control System (ICS) and Enterprise Risk Management (ERM) are based on the principles, guidelines and measures introduced by the Managing Board, which are aimed at the organizational implementation of the Managing Board's decisions. Our ICS and ERM include the management of risks and opportunities relating to the achievement of business goals, the correctness and reliability of internal and external accounting, and compliance with the laws and regulations relevant to Siemens Healthineers. Sustainability aspects are covered as well and are continuously developed based on the regulatory requirements.

Our ICS and ERM are based on the globally accepted COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). Our ERM approach is based on the COSO Standard "Enterprise Risk Management - Integrating with Strategy and Performance" (2017) and the ISO (International Organization for Standardization) Standard 31000 (2018) and is adapted to Siemens Healthineers requirements. Our ICS is based on the internationally recognized "Internal Control – Integrated Framework" (2013) also developed by COSO. The framework defines the elements of a control system and sets the standard for assessing the adequacy and effectiveness of the ICS. The frameworks connect the ERM process with our financial reporting process and our ICS, both systems are complementary.

All Siemens Healthineers entities are part of our ICS and ERM. The scope of activities to be performed by each entity is different, depending, among others, on the entity's impact on the Consolidated Financial Statements and the specific risks associated with the entity. The management of each entity is obliged to implement an adequate and effective ICS and ERM within their area of responsibility, based on the group-wide mandatory methodology.

Overall responsibility for our ICS and ERM lies with the Managing Board. The Siemens Healthineers Risk and Internal Control (RIC) organization bundles and integrates the internal control and ERM processes and supports the Managing Board in designing and maintaining adequate and effective processes for implementing, monitoring and reporting on internal control and ERM activities. It consists of the central RIC departments and those responsible in the businesses, regions and functions. The central RIC departments are responsible for monitoring and coordinating the entire processes in order to ensure an adequate and effective ICS and ERM within the Group.

We also have an overarching, integrated ICS and ERM methodology (RIC methodology) with a standardized procedure under which necessary controls are defined, documented in accordance with uniform standards, and tested regularly for their adequacy and effectiveness. For more information on ERM, see chapter ➔ ***A.6.1 Risk management***.

Our ICS and ERM and their contributing elements are regularly subject to audit activities by our internal audit function. These are carried out either as part of the risk-based annual audit plan or as part of audits scheduled during the year upon request.

At the end of each fiscal year, our Managing Board performs an evaluation of the adequacy and effectiveness of the ICS and ERM. This evaluation is based primarily on the Siemens Healthineers "In Control" Statement and quarterly Managing Board meetings. The purpose of the "In Control" Statement is to provide an overview of the key elements of the ICS and ERM of Siemens Healthineers AG and its affiliated companies at the end of the fiscal year, to summarize the activities undertaken to review its adequacy and effectiveness and report any critical control weaknesses identified as part of these activities. The information contained in this statement is provided to the Audit Committee of the Supervisory Board of Siemens Healthineers AG to report on the effectiveness of the ICS and ERM. The Siemens Healthineers "In Control" Statement is supported by certifications at various corporate levels and by all affiliated companies. In the quarterly Managing Board meetings, the company-wide risk and opportunity situation is evaluated, the results of the internal control process are explained and once a year an overall conclusion is made about the adequacy and effectiveness of our ICS and ERM. Based on this, the Managing Board has no indication that our ICS or ERM in their respective wholes have not been adequate or effective as of September 30, 2022.

Nevertheless, there are inherent limitations on the effectiveness of any risk management and control system. For example, and no system, – even if deemed to be adequate and effective – can guarantee that all risks that will actually occur will be identified in advance or that any process violations will be ruled out under all circumstances.

The Audit Committee is also integrated into our control system. In particular, it oversees the accounting and accounting process and the effectiveness of the ICM and ERM 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.

The integration of Varian into our ICS, which began in fiscal year 2021 after the acquisition, continued in fiscal year 2022 and was completed to a large extent with regard to the most significant Varian entities. The integration measures will be continued in fiscal year 2023.

A.6.4.2 Compliance Management System

The ICS and ERM are supplemented by a Compliance Management System (CMS) geared to the company's risk situation. Our CMS is based on the three pillars: prevent, detect and respond and includes the legal risk areas of corruption, antitrust law, data protection, money laundering, export controls and respect for human rights. It is based on an extensive internal set of rules: The Siemens Healthineers Business Conduct Guidelines (“BCG”) define the basic principles and standards of behavior that must be observed by all employees in the company units and in relation to customers, external partners and the public. In addition, there are extensive internal compliance regulations, including associated controls, which oblige all Siemens Healthineers employees to ensure the implementation of the CMS. They contain topic-specific implementation regulations for the individual risk areas with regard to compliance processes and tools as well as additional guidelines and information. The compliance operating model contains binding specifications for the employees of the compliance organization and describes responsibilities and how the CMS works.

Compliance risk management and compliance reviews as part of the CMS aim to identify compliance risks at an early stage and to take appropriate and effective measures to avoid or minimize risks. The risk assessment is also integrated into individual business processes and tools in order to initiate appropriate risk minimization measures. The results of compliance risk management that are relevant to the Group are taken into account as part of the company-wide ERM.

The Compliance Control Program aims to ensure compliance and implementation of the CMS and processes used worldwide. It is part of the ICS and is continuously being further developed and adapted to the current Siemens Healthineers guidelines. In addition, current compliance issues are discussed at management level on a regular basis.

The entire CMS is continually adapted to business-specific risks and various local legal requirements. The findings from compliance risk management and compliance controls and audits are used to derive measures for further development of the CMS.

A.6.4.3 Significant characteristics of the accounting-related ICS and ERM

The overarching objective of our accounting-related ICS and ERM as part of the overarching ICS and ERM 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 as well as the Annual Financial Statements of Siemens Healthineers AG as a parent company are prepared in accordance with all relevant regulations.

Our ICS and ERM are based on the globally recognized COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), for further information see ➔ ***A.6.4.1 Internal Control and Risk Management System***.

At the end of each fiscal year, our management performs an evaluation of the effectiveness of the accounting-related ICS. Siemens Healthineers has 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 control system, including one determined to be effective, may prevent or detect all misstatements.

Our Consolidated Financial Statements according to IFRS 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 consist of the closing data reported by Siemens Healthineers AG and its subsidiaries. Governance and monitoring activities relating to accounting activities are usually bundled on a regional level. In particular cases, such as valuations relating to post-employment benefits, we engage external service providers. The reported closing data are used to prepare the financial statements in the consolidation system. The steps necessary to prepare the financial statements are subject to both manual and automated controls.

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

The integration of Varian into our accounting-related ICS, which began in fiscal year 2021 after the acquisition, continued in fiscal year 2022 and was largely completed with regard to the most significant Varian entities. The integration measures will be continued in fiscal year 2023.

Our internal audit function systematically reviews our financial reporting integrity as well as our accounting-related ICS and ERM. The Audit Committee is integrated into our accounting-related ICS. In particular, it oversees the accounting and the accounting process as well as the adequacy and effectiveness of the associated ICS, the ERM and the internal audit system. Furthermore, we have set up a disclosure committee which is responsible for reviewing certain financial and non-financial information prior to publication.

A.7 Siemens Healthineers AG

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

Siemens Healthineers AG is the parent company of Siemens Healthineers, acts as a management holding company, and provides central administration services. Its results are significantly influenced by directly or indirectly owned subsidiaries. As a result, the business development of Siemens Healthineers AG is generally subject to the same risks and opportunities as the Group. Due to the interrelations between Siemens Healthineers AG and its subsidiaries, the outlook of the company also reflects our expectations for Siemens Healthineers AG. For this reason, the above comments for Siemens Healthineers also apply to Siemens Healthineers AG. In addition, Siemens Healthineers AG is exposed to the risk of impairment of equity investments in subsidiaries. The impairment test for investments in subsidiaries is generally based on a discounted cash flow model. The results of the test are influenced by the development and success of the subsidiaries and their investments. Consequently, adverse effects on subsidiaries or indirect investments may lead to an impairment of the investment in subsidiaries in Siemens Healthineers AG's annual financial statements. Impairments would reduce the net income that can be distributed to owners. As investments in subsidiaries represent over 90% of total assets, which is a significant proportion, this risk is of great importance for Siemens Healthineers AG. Income from investments significantly influences the net income of Siemens Healthineers AG.

Fiscal year 2022 was particularly notable for further optimization of the financing structure, and indirectly of the corporate structure under company law. The fiscal year was also affected by the ongoing ramifications of the COVID-19 pandemic and by macroeconomic and geopolitical challenges such as rising inflation, supply chain disruptions and the war in Ukraine, which have increased over recent months. In fiscal year 2021, the acquisition of Varian was financed by means of seven loans with maturities of up to 20 years in a total amount of US$10 billion, which were hedged against changes in the exchange rate using forward foreign exchange transactions and currency swaps. In addition, a short-term loan of €850 million was raised from the Siemens Group. In fiscal year 2022, the term of this loan was extended and will now mature in fiscal year 2029. For details please see ➔ ***A.3.3.1 Net assets and capital structure.*** Furthermore, an interest-free credit line of €600 million was granted by Siemens Healthineers AG to Siemens Healthineers Holding I GmbH to cover the latter's funding needs for further optimization of the corporate structure following the acquisition of Varian. The COVID-19 pandemic and the macroeconomic and geopolitical challenges mainly had an indirect impact on Siemens Healthineers AG by affecting the business activities of its direct and indirect subsidiaries. Please refer to ➔ ***A.3.1 Market development*** and ➔ ***A.3.2 Results of operations*** for further details.

A dividend payout of around €1,063 million is being proposed for fiscal year 2022. This corresponds to a dividend per share of €0.95.

As of September 30, 2022, Siemens Healthineers AG had 52 employees.

A.7.1 Results of operations

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Revenue	20	16
Cost of sales	–19	–15
Gross profit	**1**	**1**
General administrative expenses	–37	–123
Other operating income/expenses, net	–7	–27
Financial income/expenses, net	1,649	1,952
Therein: income from investments	1,679	2,005
Income from business activity	**1,605**	**1,803**
Income taxes	–449	–450
Net income	**1,156**	**1,353**
Profit carried forward	936	516
Allocation to other retained earnings	–400	-
Acquisition of treasury shares	–20	-
Unappropriated net income	**1,672**	**1,891**

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

The €86 million decline in administrative expenses resulted mainly from lower consulting costs incurred in the previous year as part of the acquisition and integration of Varian and from lower personnel expenses for variable and share-based compensation. The reason for the reduction in variable compensation is a significant decline in target achievement compared with the previous year. The expenses for share-based compensation were significantly influenced by a 21% decline in the price of Siemens Healthineers shares.

Other operating income/expenses improved by €20 million compared to the prior year, when the line item included costs amounting to €24 million as part of the capital increase and the issuing of new shares in March 2021. This was only partly offset by a €5 million increase in the incidental costs for the acquisition of treasury shares in fiscal year 2022.

The decline of €303 million in net financial income was primarily attributable to lower income from equity investments. The profit transfer from Siemens Healthcare GmbH declined by €235 million to €1,644 million. Equity investment income in connection with Siemens Healthineers Beteiligungen GmbH & Co. KG, Rottenbach, was down €91 million, to €35 million. In addition, fiscal year 2022 saw a €7 million increase in interest expenses for the loans raised in March 2021 to finance the acquisition of Varian, including the positive effect from the forward components of the foreign currency derivatives. There was likewise a €7 million increase in interest expenses from the turn of cash pooling's net cash position to a liability, resulting from the outflows of temporarily available funds attributable to the acquisition of Varian in April 2021. This was partially compensated by omitting the previous year's expenses of €23 million from fees for the bridge facility to secure the financing for the acquisition of Varian provided in fiscal year 2020, and negative interest of €5 million from investing the funds from the capital increase in September 2020.

Income taxes included only current income taxes from corporation tax and trade tax because the excess of deferred tax assets was not recognized due to the exercise of the option under Section 274 para. 1 sentence 2 German Commercial Code. The income tax expenses remained constant compared to the prior year, as the decrease in income from business activity was mainly due to the decrease of the income from investments, while income from investments is largely tax-exempt.

A.7.2 Net assets and financial position

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Non-current assets		
Property, plant and equipment	0	0
Financial assets	31,572	31,767
Current assets		
Receivables and other assets	2,432	2,182
Cash and cash equivalents	6	3
Prepaid expenses	**5**	**9**
Active difference resulting from offsetting	**0**	**0**
Total assets	**34,014**	**33,961**
Shareholders' Equity	**18,574**	**18,509**
Provisions		
Pensions and similar commitments	29	27
Other provisions	269	153
Liabilities		
Liabilities to affiliated companies and other liabilities	15,069	15,181
Deferred income	**73**	**91**
Total liabilities and equity	**34,014**	**33,961**

Non-current assets

The decline of €195 million in financial assets was primarily attributable to the following transactions:

By way of a shareholder resolution dated February 23, 2022, Siemens Healthineers AG took a total of €795 million from Capital Account II of Siemens Healthineers Beteiligungen GmbH & Co. KG due to the high level of available liquidity; this was treated as a repayment of capital.

The above transaction was largely offset by a credit line agreement concluded with Siemens Healthineers Holding I GmbH, Munich, to cover its funding needs for further optimization of the corporate structure following the acquisition of Varian. The agreement provides for a credit line of up to €600 million, which by the end of fiscal year 2022 was utilized in full in the form of interest-free loans with maturity dates between May 2 and September 25, 2028.

Current assets

The increase of €250 million in receivables and other assets resulted primarily from pro-rata recognition of the forward component of forward foreign exchange transactions entered into with Siemens AG amounting to €154 million, as well as from forwarding an intra-group short term loan of €288 million (CN¥2 billion) taken out with Siemens Healthineers Ltd., Shanghai, China, in respect of Chinese Yuan (CN¥). This forwarded loan was placed with Siemens Healthcare GmbH, Munich. In addition, the receivables from the tax authorities from a value-added tax group increased by €44 million to €162 million. This was partially offset by the profit transfer receivable from Siemens Healthcare GmbH, which decreased by €235 million to €1,644 million.

Prepaid expenses and deferred income

The €4 million decline in prepaid expenses was primarily attributable to the amortization of the remaining discount on loan liabilities assumed in fiscal year 2019. The €18 million decline in deferred income was attributable to the amortization of the premium from the loan liability of US$1,689 million assumed in the previous year, whose fair value at the transfer date exceeded its settlement amount.

Shareholders' equity

The €65 million increase in equity is the result of offsetting developments. The dividend distributed for fiscal year 2021 reduced unappropriated net income by €955 million. This negative effect was more than offset by net income for fiscal year 2022. The capital reserves under Section 272 para. 4 German Commercial Code, that remained from the prior year, were used again in fiscal year 2022 to acquire treasury shares, of which 8,606,278 were held as of September 30, 2022 (September 30, 2021: 5,328,965). These acquisitions completely used up the capital reserves under Section 272 para. 4 German Commercial Code. The acquisition of treasury shares above and beyond these distributable capital reserves in fiscal year 2022 consequently decreased unappropriated net income by €20 million. For information about the acquisition of treasury shares pursuant to Section 160 para. 1 No. 2 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, 2022. In the course of a partial appropriation of the net profit, €400 million were allocated to the other retained earnings as of September 30, 2022. Unappropriated net income thus decreased by €219 million in total.

The equity ratio remained unchanged at 55%.

Liabilities

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

In order to finance the acquisition of Varian, in the previous year Siemens Healthineers AG raised seven loans from the Siemens Group with maturities of up to 20 years amounting to US$10 billion in total, as well as a loan of €850 million with an original maturity of September 30, 2022. During the fiscal year, the maturity of the loan of €850 million was extended to September 30, 2029. The loan of US$1 billion, which matures in 2024, and the loan of €850 million have floating interest rates, while the other loans have fixed interest rates of between 0.58% and 3.03%. For the nominal amounts of the loans denominated in foreign currency as well as for the interest payments for the fixed-rate loans denominated in foreign currency, the exchange rate risk has been fully hedged.

U.S. dollar-denominated loans amounting to US$2.4 billion assumed by way of assumption of liabilities in fiscal years 2019 and 2021, also remain. The nominal amounts of these loans and all associated interest payments have been hedged with forward exchange contracts. The contractual interest rates for these fixed-rate loans are 2.2% for the US$0.7 billion loan due in 2023 and 2.5% for the US$1.7 billion loan due in 2027.

Information on currency hedging of all U.S. dollar-denominated loans can be found in *Note 21 Derivative financial instruments and hedging activities* in the notes to the annual financial statements of Siemens Healthineers AG for the year ended September 30, 2022. For further information about the bridge facility and the loans denominated in U.S. dollars, please see ➔ ***A.3.3.1 Net assets and capital structure***.

Liabilities from cash pooling, which essentially ensures availability to the company of short-term cash, declined by €1,062 million to €2,580 million, as the cash generated by operating activities more than offset the cash used in investing activities and financing activities by a significant amount. Cash pooling liabilities carried an average interest rate of 0.37% in fiscal year 2022.

In addition, a loan agreement worth €700 million was concluded between Siemens Healthineers AG and Siemens AG in fiscal year 2022. This loan, with a floating interest rate and a maturity date of September 30, 2025, was for refinancing the acquisition of Corindus Vascular Robotics, Inc., which was completed in fiscal year 2020. The initial loan agreement for this acquisition, originally concluded between Siemens Healthcare GmbH and lender Siemens AG, ended as agreed on September 30, 2022.

Against the backdrop of the above-mentioned intra-group short-term loan in respect of CN¥, liabilities to affiliated companies increased by €288 million (CN¥2 billion). Other liabilities to affiliated companies, which largely result from a value-added tax group with several subsidiaries, increased by €36 million to €162 million. Liabilities to affiliated companies from promised and requested allocations to equity amounting to €65 million were redeemed.

In addition to liabilities from cash pooling of €2,580 million, liabilities with a remaining maturity of up to one year amounted to €2,112 million.

A.7.3 Cash flows and liquidity

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Cash flows from:		
Operating activities	1,496	952
Investing activities	–154	–14,009
Financing activities	–276	9,613

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

The cash generated from operating activities was mainly attributable to the payment of the profit transfer by Siemens Healthcare GmbH for the previous year and the profit transferred during the current year from Siemens Healthineers Beteiligungen GmbH & Co. KG; income tax payments had an offsetting effect. Compared with the previous year, the increase was primarily caused by the increase in the payment of the above-mentioned profit transfer. The cash outflow from investing activities in fiscal year 2022 mainly resulted from the granting of a long-term loan of €600 million to Siemens Healthineers Holding I GmbH and the net outflows from the forwarded short-term loan of €288 million in respect of CN¥, partially offset by the repayment of capital by Siemens Healthineers Beteiligung GmbH & Co. KG in the amount of €795 million. In the previous year, additional capital payments were made to Siemens Healthineers Holding I GmbH for the acquisition of Varian. The cash outflow from financing activities mainly consisted of the year-on-year increase of €98 million, to €955 million, in the dividend paid, a significant rise in payments to buy back treasury shares, and a sharp rise in interest paid, offset by the loan of €700 million raised for the refinancing of the acquisition of Corindus Vascular Robotics, Inc., and the net inflows from the intra-group short-term loan in respect of CN¥. In the previous year, the cash generated by financing activities consisted mainly of loans raised to finance the acquisition of Varian in an amount of €9.2 billion and the net inflows of €2.3 billion from the capital increase.

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

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

A.7.4 Corporate Governance statement

The corporate governance statement pursuant to Sections 289f and 315d German Commercial Code is an integral part of the combined management report and is presented in ➔ ***C.4 Corporate governance statement*** of the Annual Report 2022.

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 Stock Corporation Act for fiscal year 2022 and issued the following concluding declaration:

"We declare that, in the legal transactions and other measures in Fiscal Year 2022 outlined in the Report on Relationships with Affiliated Companies, based on the circumstances of which we were aware at the point in time when the legal transactions were entered into, or the measures were taken or refrained from, the Company received adequate consideration in each legal transaction and did not suffer any disadvantage by taking or refraining from taking the measures."

A.8 Takeover-relevant information and explanatory report

(pursuant to Sections 289a and 315a of the German Commercial Code)

A.8.1 Composition of issued capital

As of September 30, 2022, Siemens Healthineers AG's issued capital totaled €1,128,000,000. The issued capital is divided into 1,128,000,000 ordinary registered shares with no-par value ("auf den Namen lautende Stückaktien"), each of which is notionally equal to €1 in value. The shares are fully paid in. All shares confer the same rights and obligations. Details of the shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act, in particular Sections 12, 53a et seq., 118 et seq. and 186.

A.8.2 Restrictions on voting rights or transfer of shares

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

Share programs are in place under which certain employees are or will be granted Siemens Healthineers AG shares. These share programs were continued in fiscal year 2022. Such shares are not subject to any block on sale, except as provided under local law.

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

The von Siemens-Vermögensverwaltung GmbH (vSV) has, on a sustained basis, powers of attorney allowing it to exercise the voting rights for 628,847 shares (as of September 30, 2022) on behalf of members of the Siemens family. These shares are part of the total number of shares held by the family's members. The powers of attorney are based on an agreement between the vSV and, among others, members of the Siemens family. The shares are voted together by vSV, taking into account the suggestions of a family partnership established by the family's members or of one of this partnership's governing bodies.

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

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

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

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

Based on a resolution of Siemens Healthineers AG's Annual Shareholders' Meeting on February 15, 2022, 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 14, 2027, by up to €564 million by issuing up to 564,000,000 new ordinary registered shares with no-par value in return for cash and/or contributions in kind (Authorized Capital 2022). As of September 30, 2022, Siemens Healthineers AG had not made use of the Authorized Capital 2022.

On February 15, 2022, Siemens Healthineers AG's Annual Shareholders' Meeting resolved to create contingent capital. Siemens Healthineers AG's issued capital was conditionally increased by up to €112.8 million by issuance of up to 112,800,000 new ordinary registered shares with no-par value (Contingent Capital 2022). A capital increase utilizing Contingent Capital 2022 may be implemented to grant shares only in cases when, by February 14, 2027, holders and / or creditors of convertible bonds or of option warrants from option bonds issued by Siemens Healthineers AG or an affiliate exercise their conversion / option rights, or perform their conversion / option obligations, or if shares are delivered, and only to the extent that no other forms of servicing are 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 112,800,000 new ordinary registered shares with no-par value of Siemens Healthineers AG. As of September 30, 2022, Siemens Healthineers AG had not made use of its option to issue bonds under this authorization.

The new shares under the Authorized Capital 2022 and the bonds under the aforementioned authorization are to be issued in return for contributions in cash and/or in kind. They are normally to be offered to shareholders for subscription. Subject to the approval of the Supervisory Board, the Managing Board is authorized to exclude shareholders' preemptive rights in the event of contributions in kind. In the event of capital increases in return for contributions in cash, the Managing Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' preemptive rights in the following cases:

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

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 15, 2022, the Annual Shareholders' Meeting resolved to rescind the authorization of February 12, 2021, for the repurchase and use of treasury shares and to re-authorize the Managing Board to repurchase Siemens Healthineers AG shares until February 14, 2027, 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 via the stock exchange or by means of an offer to all shareholders proportionately according to their shareholding, the Managing Board was also authorized by resolution of the Annual Shareholders' Meeting on February 15, 2022, to use the Siemens Healthineers AG shares repurchased on the basis of this or previous authorizations for any permissible purpose. In particular, these shares may be

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

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

Utilizing the authorization granted by the Annual Shareholders' Meeting on February 15, 2022, the Managing Board of Siemens Healthineers AG approved, in June 2022, a share buyback lasting until January 20, 2023, with a volume of up to €250 million and a maximum of 9,000,000 ordinary shares. The buyback commenced on June 29, 2022. Under this share buyback, Siemens Healthineers AG repurchased 5,036,108 of its own shares for a total consideration of €233 million (excluding incidental transaction charges) by the end of the fiscal year on September 30, 2022.

One share buyback was also carried out using the authorization granted by the Annual Shareholders' Meeting on February 12, 2021. In June 2021, the Managing Board of Siemens Healthineers AG approved a share buyback lasting until January 28, 2022, with a volume of up to €170 million and a maximum of 6,000,000 ordinary shares. The buyback commenced on June 28, 2021. Under this share buyback, which ended on January 18, 2022, Siemens Healthineers AG repurchased 3,041,489 of its own shares. The total consideration paid for these shares amounted to €170 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 AG or its affiliated companies, particularly under share programs. To the extent that the repurchased shares are not required for that purpose, they may be used for other purposes permitted by law. In each case, the shares were repurchased via the stock exchange. As of September 30, 2022, Siemens Healthineers AG held 8,606,278 treasury shares.

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

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

Treasury and financing agreements

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

In 2016, a U. S. subsidiary of Siemens Healthineers AG, as borrower, entered into a bilateral framework loan agreement in the amount of US$6.0 billion, with a subsidiary of Siemens AG, as lender. Three individual loan agreements totaling US$3.4 billion have been drawn under this framework. After assuming the relevant liabilities, Siemens Healthineers AG owes repayment under two individual loan agreements, in the total amount of US$2.4 billion. Each agreement provides the lender with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. Furthermore, as of September 30, 2022, 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 credit facility, as well as a multicurrency revolving credit facility in the amount of €1.0 billion as backup facility. The agreements covering the aforementioned two credit facilities provide Siemens AG with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. A loan agreement with an amount of €700 million with a term until September 30, 2025, exists between Siemens AG, as lender, and Siemens Healthineers AG, as borrower, to refinance a former loan for the acquisition of Corindus Vascular Robotics, Inc. The loan agreement provides the lender with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights. Between Siemens Finance B.V., as lender, and Siemens Healthineers AG, as borrower, exist seven loan agreements totaling US$10 billion with differing maturities (the longest being March 2041) to finance the acquisition of Varian Medial Systems, Inc., which took place in fiscal year 2021. Under a further loan agreement a loan exists of €850 million for the same purpose between Siemens Finance B.V., as lender and Siemens Healthineers AG, as borrower, maturing on September 20, 2029. The loan agreements each provide the lender with a right of termination in the event that the borrower ceases to be an affiliate of Siemens AG. An affiliate is defined as a company in which Siemens AG (directly or indirectly) holds a majority of shares or voting rights.

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

As of September 30, 2022, Siemens Healthcare GmbH and Siemens AG have an agreement under which Siemens AG provides certain cash management services to Siemens Healthcare GmbH, and, via Siemens Healthcare GmbH, also to Siemens Healthineers. Among such services are the provision of payment infrastructure, including the use of the Siemens Group's bank accounts for incoming and outgoing external payment transactions, provision of internal accounts with credit lines (the latter only under separate agreements), participation in the Siemens Group's cash pools, and settlement of intra-group transactions between the Siemens Group on the one hand and Siemens Healthineers on the other hand. The agreement may be terminated by Siemens AG in the event that Siemens AG ceases to control Siemens Healthineers AG, where control is defined as the majority ownership of shares and / or voting rights. Furthermore, as of September 30, 2022, 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 and some of its subsidiaries also have various service agreements, some of which are long-term, with companies of the Siemens Group. Services covered by such agreements include, but are not limited to, IT, human resources, procurement, consultation and business support services, accounting, and tax-related services. In the event of any change of control in Siemens Healthineers AG or a subsidiary that is a service recipient – i. e., in the event that Siemens AG no longer (directly or indirectly) holds a majority of the voting rights in Siemens Healthineers AG or the respective subsidiary, or loses the right to appoint the majority of the members of the Managing Board or to exercise comparable control rights – the service provider may terminate the relevant agreement so far as the provided services are affected, for example if rendering such services has become impossible for legal, technical or organizational reasons.

Several lease and rental agreements and real estate-related service agreements exist between Siemens Healthineers as the lessee and the Siemens Group as the lessor. In the event that Siemens AG no longer (directly or indirectly) holds a majority of the voting rights in Siemens Healthineers AG, or loses the right to appoint the majority of the members of the Managing Board or to exercise comparable control rights, several legal consequences may occur, including the obligation to vacate premises, termination of lease, or a physical separation in cases where premises are shared between companies of the Siemens Group and companies 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 respective licensee the right to use, in particular, the designations “Siemens” and “Siemens Healthineers” as a product brand, corporate brand and part of the company name, business designation and domain name, among other purposes. The respective agreements will automatically expire after a transitional period if Siemens Healthineers AG or the respective subsidiary ceases to be a company over which Siemens AG has direct or indirect management power by contract or otherwise, or through ownership of voting rights entitling Siemens AG to (directly or indirectly) appoint the majority of the members of the managing body.

A.8.6 Other takeover-relevant information

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

B.
Consolidated financial statements

B.1 Consolidated statements of income

(in millions of €, earnings per share in €)	Note	Fiscal year 2022	Fiscal year 2021
Revenue	29, 30	21,714	17,997
Cost of sales		–13,577	–11,045
Gross profit		**8,137**	**6,952**
Research and development expenses		–1,785	–1,546
Selling and general administrative expenses		–3,408	–2,817
Other operating income		11	19
Other operating expenses		–31	–40
Income from investments accounted for using the equity method, net		2	5
Earnings before interest and taxes		**2,927**	**2,573**
Interest income	25	48	33
Interest expenses	15, 25	–118	–83
Other financial income, net	15, 25	–57	–120
Income before income taxes		**2,800**	**2,404**
Income tax expenses	4	–746	–658
Net income		**2,054**	**1,746**
Thereof attributable to:			
Non-controlling interests		17	18
Shareholders of Siemens Healthineers AG		2,038	1,727
Basic earnings per share	**5**	**1.81**	**1.57**
Diluted earnings per share	**5**	**1.81**	**1.57**

B.2 Consolidated statements of comprehensive income

(in millions of €)	Note	Fiscal year 2022	Fiscal year 2021
Net income		**2,054**	**1,746**
Remeasurements of defined benefit plans	21	154	154
Therein: Income tax effects		–77	–37
Remeasurements of equity instruments	25	–1	4
Therein: Income tax effects		–1	–1
Other comprehensive income that will not be reclassified to profit or loss		**154**	**158**
Currency translation differences[1]		2,891	440
Cash flow hedges	25	144	–154
Therein: Income tax effects		–63	17
Cost/Income from hedging	25	–308	–28
Therein: Income tax effects		130	1
Other comprehensive income that may be reclassified subsequently to profit or loss		**2,727**	**258**
Other comprehensive income, net of taxes		**2,881**	**416**
Comprehensive income		**4,935**	**2,162**
Thereof attributable to:			
Non-controlling interests		18	23
Shareholders of Siemens Healthineers AG		4,917	2,139

[1] Prior-year value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3. For further information, please refer to ➔ ***Note 3 Acquisitions***.

B.3 Consolidated statements of financial position

(in millions of €)	Note	Sept 30, 2022	Sept 30, 2021 (adjusted)[1]	Sept 30, 2021 (reported)
Cash and cash equivalents	25	1,436	1,322	1,322
Trade and other receivables	6, 25	4,287	3,740	3,740
Other current financial assets	7, 25	724	169	169
Current receivables from the Siemens Group	25, 31	819	711	711
Contract assets	8	1,412	1,116	1,159
Inventories	9	4,009	3,179	3,179
Current income tax assets	4	73	56	56
Other current assets	10	619	489	489
Total current assets		**13,379**	**10,782**	**10,824**
Goodwill	3, 11	19,061	17,456	17,512
Other intangible assets	12	8,712	8,074	8,211
Property, plant and equipment	12	4,273	3,712	3,712
Investments accounted for using the equity method		32	33	33
Other non-current financial assets	13, 25	2,577	928	928
Non-current receivables from the Siemens-Group	25, 31	2	-	-
Deferred tax assets	4	575	481	481
Other non-current assets	14	444	460	460
Total non-current assets		**35,677**	**31,145**	**31,338**
Total assets		**49,056**	**41,927**	**42,162**
Short-term financial debt and current maturities of long-term financial debt	15, 25	234	225	225
Trade payables	25	2,315	1,921	1,921
Other current financial liabilities	17, 25	343	263	263
Current liabilities to the Siemens Group	15, 25, 31	2,617	1,932	1,932
Contract liabilities	18	3,749	2,901	2,883
Current provisions	19	358	386	356
Current income tax liabilities	4	609	468	468
Other current liabilities	20	1,799	2,016	2,016
Total current liabilities		**12,024**	**10,113**	**10,065**
Long-term financial debt	15, 25	464	457	457
Provisions for pensions and similar obligations	21	668	908	908
Deferred tax liabilities	4	2,110	2,082	2,082
Non-current provisions	19	173	150	150
Other non-current financial liabilities	25	13	19	19
Other non-current liabilities	22	405	435	435
Non-current liabilities to the Siemens Group	15, 25, 31	13,347	11,708	11,708
Total non-current liabilities		**17,180**	**15,758**	**15,758**
Total liabilities		**29,204**	**25,871**	**25,823**
Issued capital		1,128	1,128	1,128
Capital reserve		15,861	15,818	15,818
Retained earnings		894	–300	–300
Other components of equity		2,357	–369	–85
Treasury shares		–405	–240	–240
Total equity attributable to shareholders of Siemens Healthineers AG	**23**	**19,836**	**16,037**	**16,321**
Non-controlling interests		16	18	18
Total equity		**19,852**	**16,055**	**16,339**
Total liabilities and equity		**49,056**	**41,927**	**42,162**

[1] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3. For further information, please refer to → ***Note 3 Acquisitions***.

B.4 Consolidated statements of cash flows

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Net income	**2,054**	1,746
Adjustments to reconcile net income to cash flows from operating activities:		
Amortization, depreciation and impairments	1,343	1,039
Income tax expenses	746	658
Interest income/expenses, net	70	49
Income/loss related to investing activities	21	–2
Other non-cash income/expenses, net	233	142
Change in operating net working capital		
Contract assets	–203	–182
Inventories	–481	–22
Trade and other receivables	–275	–538
Receivables from and payables to the Siemens Group from operating activities	–11	2
Trade payables	247	318
Contract liabilities	544	325
Change in other assets and liabilities	–652	451
Additions to equipment leased to others in operating leases	–294	–301
Income taxes paid	–877	–808
Dividends received	5	4
Interest received	33	52
Cash flows from operating activities	**2,504**	**2,933**
Additions to intangible assets and property, plant and equipment	–852	–674
Purchase of investments and financial assets for investment purposes	–2	–12
Acquisitions of businesses, net of cash acquired	–29	–13,467
Disposal of investments, intangible assets and property, plant and equipment	17	12
Disposal of businesses, net of cash disposed	–2	-
Cash flows from investing activities	**–868**	**–14,140**
Purchase of treasury shares	–309	–255
Issuance of new shares	-	2,309
Other transactions with owners	1	2
Repayment of long-term debt (including current maturities of long-term debt)	–149	–138
Change in short-term financial debt and other financing activities	–20	–17
Interest paid	–30	–23
Dividends paid to shareholders of Siemens Healthineers AG	–955	–856
Dividends paid to non-controlling interests	–19	–17
Interest paid to the Siemens Group	–218	–127
Other transactions/financing with the Siemens Group	53	10,961
Cash flows from financing activities	**–1,644**	**11,839**
Effect of changes in exchange rates on cash and cash equivalents	122	34
Change in cash and cash equivalents	114	666
Cash and cash equivalents at beginning of period	**1,322**	**656**
Cash and cash equivalents at end of period	**1,436**	**1,322**

B.5 Consolidated statements of changes in equity

(in millions of €)	Issued capital	Capital reserve	Retained earnings	Other components of equity: Currency translation differences	Other components of equity: Reserve of equity instruments measured at fair value through other comprehensive income	Other components of equity: Cash flow hedges reserve	Other components of equity: Cost of hedging reserve	Treasury shares at cost	Total equity attributable to shareholders of Siemens Healthineers AG	Non-controlling interests	Total equity
Balance as of October 1, 2020	**1,075**	**13,476**	**–1,276**	**–862**	**–33**	**37**	**117**	**–36**	**12,498**	**13**	**12,511**
Net income	-	-	1,727	-	-	-	-	-	1,727	18	1,746
Other comprehensive income, net of taxes[1]	-	-	154	436	4	–154	–28	-	412	4	416
Dividends	-	-	–856	-	-	-	-	-	–856	–17	–874
Share-based payment	-	60	-	-	-	-	-	-	60	-	60
Purchase of treasury shares	-	-	-	-	-	-	-	–266	–266	-	–266
Reissuance of treasury shares	-	7	-	-	-	-	-	62	68	-	68
Issuance of new shares	53	2,275	-	-	-	-	-	-	2,328	-	2,328
Other changes in equity	-	-	–48	-	-	114	-	-	66	-	66
Balance as of September 30, 2021	**1,128**	**15,818**	**–300**	**–426**	**–29**	**–3**	**89**	**–240**	**16,037**	**18**	**16,055**
Balance as of October 1, 2021	**1,128**	**15,818**	**–300**	**–426**	**–29**	**–3**	**89**	**–240**	**16,037**	**18**	**16,055**
Net income	-	-	2,038	-	-	-	-	-	2,038	17	2,054
Other comprehensive income, net of taxes	-	-	154	2,891	–1	144	–308	-	2,880	1	2,881
Dividends	-	-	–955	-	-	-	-	-	–955	–19	–973
Share-based payment	-	35	-	-	-	-	-	-	35	-	35
Purchase of treasury shares	-	-	-	-	-	-	-	–304	–304	-	–304
Reissuance of treasury shares	-	9	-	-	-	-	-	139	147	-	147
Other changes in equity	-	-	–43	-	-	-	-	-	–43	–1	–44
Balance as of September 30, 2022	**1,128**	**15,861**	**894**	**2,465**	**–30**	**141**	**–219**	**–405**	**19,836**	**16**	**19,852**

[1] Currency translation differences: Value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3. For further information, please refer to ➔ ***Note 3 Acquisitions***.

B.6 Notes to consolidated financial statements

Note 1 Basis of presentation

The consolidated financial statements as of September 30, 2022, present the operations of Siemens Healthineers AG, registered in Munich, Germany (Munich Local Court, commercial register number HRB 237558, Germany), and its subsidiaries (hereinafter, collectively, "Group" or "Siemens Healthineers"). Siemens Healthineers is a global provider of healthcare solutions and services, with activities in numerous countries around the world. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), as well as with the additional requirements set forth in Section 315e (1) of the German Commercial Code ("Handelsgesetzbuch"). The consolidated financial statements are in accordance with IFRS as issued by the International Accounting Standards Board (IASB). On November 23, 2022, the Managing Board of Siemens Healthineers AG authorized the consolidated financial statements for issue.

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

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

Note 2 Accounting policies

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

Accounting estimates and judgments

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

The COVID-19 pandemic and associated significant uncertainties have been considered, where relevant, in accounting estimates and judgments. In fiscal year 2022, the COVID-19 pandemic did not lead to material adjustments to the carrying amounts of recognized assets and liabilities.

In connection with the war in Ukraine, there were no material adjustments to the carrying amounts of the recognized assets and liabilities in fiscal year 2022. Siemens Healthineers has no production sites in Ukraine or Russia. The business activities of the sales and service units could be negatively impacted by further escalation of the war, possible further sanctions, or exchange rate developments for the respective local currencies. The associated risks are monitored on an ongoing basis.

For further information on impacts from the COVID-19 pandemic, on the impacts of the war in Ukraine so far, on disaggregation of revenue and on segment information, please see disclosures in the respective notes to the consolidated financial statements and in the group management report.

Basis of consolidation

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

Business combinations

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

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

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

Foreign currency translation

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

Hyperinflationary accounting

Financial statements of foreign subsidiaries, where the functional currency is the currency of a hyperinflationary economy, are adjusted to reflect changes in general purchasing power. In such instances, all items which are recognized on the statements of financial position and the statements of income are translated using the exchange rate at closing. Each non-monetary item on the statements of financial position, which is carried at cost or amortized cost and each transaction in the statements of income are restated by applying a general price index from the date of acquisition or initial incurrence of these items. In consequence, the rules of IAS 29, Financial Reporting in Hyperinflationary Economies, are applied for Argentina, which became hyperinflationary effective July 1, 2018, requiring retrospective implementation of hyperinflationary accounting as of October 1, 2017, and for Türkiye, which became hyperinflationary effective April 1, 2022, requiring retrospective implementation of hyperinflationary accounting as of October 1, 2021. The cumulative effects of the indexation of non-monetary items on the statements of financial position are recognized as retained earnings the first-time that the rules for hyperinflationary accounting are applied, and, in subsequent periods, in the line item other financial income, net in the consolidated statements of income.

Foreign currency transactions

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

Revenue recognition

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

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

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

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

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

Functional costs

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

Research and development expenses

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

Deferred tax assets and liabilities for temporary differences between the accounting book value and the tax base for assets and liabilities, as well as deferred tax assets for tax loss carryforwards, are measured using the liability method at the tax rates that are expected to apply when the asset is realized or the liability is settled. 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 annually for impairment and also whenever an indication arises (triggering event) that the carrying amount may not be recoverable. Siemens Healthineers performs the annual impairment test in the quarter ending September 30. For the purpose of impairment testing, the segment's recoverable amount is to be determined as the higher of the segment's fair value less costs of disposal and its value in use. If either of these values exceeds the carrying amount, it is not necessary to determine both values. If the carrying amount of the segment to which the goodwill is allocated exceeds its recoverable amount, an impairment loss on goodwill allocated to this segment is recognized. Impairment losses on goodwill are not reversed in future periods.

The segment's recoverable amount is based on discounted cash flow calculations and involves the use of accounting estimates. The amount is influenced by, for example, the market launch of new goods and services, the successful integration of acquisitions, volatility of capital markets, interest rate developments, exchange rate fluctuations and the outlook on economic trends. At Siemens Healthineers, the recoverable amount is generally determined based on the fair value less costs of disposal. For the purpose of estimating a segment's fair value less costs of disposal, cash flows are projected for the next five years (in exceptional cases up to ten years) based on past experience, actual operating results and management's best estimate about future developments as well as on market assumptions. Cash flows after the detailed planning period are extrapolated using individual growth rates. The determined fair value of a segment is assigned to level 3 of the fair value hierarchy. Key assumptions for determining fair value less costs of disposal 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 a finite useful life on a straight-line basis over their respective estimated useful lives. The estimated useful life of purchased patents, licenses and similar rights generally ranges from three to five years. Self-developed intangible assets with a finite useful life are amortized on a straight-line basis over their respective estimated useful lives, which range from three to 25 years. In addition, there are intangible assets acquired in business combinations, especially customer relationships, trademarks, technologies, and order backlog. For customer relationships and trademarks, the useful life ranges from two to 30 years; for technologies, from seven to 22 years; and for order backlog up to 10 years.

Property, plant and equipment

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

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

Impairment of other intangible assets and property, plant and equipment

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

Leases

A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for an agreed period of time in exchange for consideration. For further information on leases, please refer to ➔ ***Note 6 Trade and other receivables***, ➔ ***Note 12 Other intangible assets and property, plant and equipment***, ➔ ***Note 15 Financial debt***, ➔ ***Note 24 Other financial obligations*** and ➔ ***Note 26 Financial risk management***.

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

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

Provisions

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

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

Defined benefit plans

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

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

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

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

Termination benefits

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

Financial instruments

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

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

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

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

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

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

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

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

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

Share-based payment

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

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

Prior-year information

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

Recent accounting pronouncements, not yet adopted

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

Note 3 Acquisitions

Acquisition of Varian

On April 15, 2021, Siemens Healthineers acquired all shares in Varian Medical Systems, Inc. (hereinafter "Varian"). In fiscal year 2022, the purchase price allocation, which was still preliminary as of September 30, 2021, was reviewed and finalized in accordance with the requirements of IFRS 3, Business Combinations, within the one-year measurement period. Comparative information for the period between the acquisition transaction and the completion of the purchase price allocation in the second quarter of fiscal year 2022 has been presented retrospectively as if the purchase price allocation had already been completed at the acquisition date.

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

The following table presents the assets and liabilities of the preliminary and final purchase price allocation:

(in millions of €)	Final purchase price allocation	Preliminary purchase price allocation
Cash and cash equivalents	552	552
Trade and other receivables	581	579
Other current financial assets	93	95
Contract assets	98	141
Inventories	764	764
Other current assets	118	114
Goodwill	8,193	8,027
Other intangible assets	6,216	6,285
Property, plant and equipment	524	525
Miscellaneous assets	191	192
Total assets	**17,330**	**17,273**
Trade payables	232	231
Other current financial liabilities	83	80
Contract liabilities	731	713
Current provisions	105	75
Current income tax liabilities	183	181
Other current liabilities	274	273
Long-term financial debt	86	86
Deferred tax liabilities	1,571	1,566
Miscellaneous liabilities	206	209
Total liabilities	**3,471**	**3,413**
Non-controlling interests	*6*	*6*

Adjustments were made mainly to intangible assets and goodwill. This is due mainly to valuation effects resulting from the final allocation of intangible assets, including goodwill, to the currency areas. In addition, adjustments were made to contract assets, contract liabilities and current provisions in connection with the acquired project business in the field of proton therapy centers.

In the consolidated statements of comprehensive income, the prior-year value of the line item currency translation differences changed due to the retrospective adjustments. As of September 30, 2021, an amount of €724 million was reported. After adjustments, the currency translation differences amounted to €440 million as of September 30, 2021. The adjustments had a corresponding effect on the consolidated statements of changes in equity.

Note 4 Income taxes

Income taxes broke down as follows:

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Current tax	1,012	745
Deferred tax	–266	–87
Income tax expenses recognized in the consolidated statements of income	**746**	**658**
Effective tax rate	26.6%	27.4%
Income tax effects recognized in other comprehensive income or directly in equity	9	–5
Total income taxes included in the consolidated statements of comprehensive income or directly recognized in equity	**755**	**653**

In fiscal year 2022, current taxes included expenses of €38 million (2021: income of €36 million) for adjustments of taxes from prior fiscal years. Deferred taxes included income of €428 million (2021: €36 million) from the origination and reversal of temporary differences. The item also included income from the first-time recognition of deferred tax assets due to improved earnings expectations in individual foreign companies in the amount of €64 million (2021: €0 million), mainly for loss carryforwards. The item was influenced by income of €137 million (2021: €71 million) from the subsequent accounting of the Varian purchase price allocation.

In fiscal year 2022, the calculation of taxes in Germany was based on a combined tax rate of 29.5% (2021: 29.6%), consisting of the corporate tax rate of 15.0% (2021: 15.0%), the solidarity surcharge thereon of 5.5% (2021: 5.5%) and an average trade tax rate of 13.7% (2021: 13.8%). For foreign subsidiaries, taxes were calculated based on local tax law and applicable tax rates in the individual countries.

In fiscal year 2022, income tax expenses differed from the expected income tax expenses based on the combined German tax rate of 29.5% (2021: 29.6%) as follows:

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Expected income tax expenses	827	713
Nondeductible expenses	147	106
Tax-free income	–66	–46
Taxes for prior years	41	2
Change in realizability of deferred tax assets and tax credits	–76	–14
Change in tax rates	–5	–13
Foreign tax rate differential	–132	–88
Other	11	–1
Total income tax expenses	**746**	**658**

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

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Deferred taxes on temporary differences	–1,700	–1,897
Thereof:		
Current assets and liabilities	–111	178
Intangible assets	–2,264	–2,329
Provisions for pensions and similar obligations	200	271
Other non-current assets and liabilities	474	–17
Deferred taxes on tax loss carryforwards	154	244
Deferred taxes on tax credits	12	52
Total deferred tax assets and liabilities, net	**–1,534**	**–1,601**

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

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Balance at beginning of fiscal year	**–1,601**	–51
Changes recognized in the consolidated statements of income	266	87
Changes recognized in other comprehensive income	–11	–20
Additions from acquisitions directly recognized in equity	5	–1,566
Other[1]	–192	–51
Balance at fiscal year-end	**–1,534**	**–1,601**

[1] Includes mainly foreign currency translation effects.

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

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Deductible temporary differences	20	118
Tax loss carryforwards	662	782
Total items (gross amounts) for which no deferred tax assets have been recognized	**682**	**901**

€111 million of the tax loss carryforwards not recognized as of September 30, 2022 will expire in the periods up to 2030 (September 30, 2021: €26 million expiring by 2026). As of September 30, 2022, no deferred tax liabilities were recognized for temporary differences in connection with shares in subsidiaries amounting to €4,536 million (September 30, 2021: €4,045 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, 2022, deferred tax liabilities of €20 million (September 30, 2021: €26 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 recognized.

Note 5 Earnings per share

(in millions of €, number of shares in thousands, earnings per share in €)	Fiscal year 2022	Fiscal year 2021
Net income	2,054	1,746
Portion attributable to non-controlling interests	–17	–18
Net income attributable to shareholders of Siemens Healthineers AG	2,038	1,727
Weighted average shares outstanding during fiscal year (basic)	1,122,794	1,099,690
Effect of dilutive share-based payment	4,951	3,910
Weighted average shares outstanding during fiscal year (diluted)	1,127,746	1,103,600
Basic earnings per share	**1.81**	**1.57**
Diluted earnings per share	**1.81**	**1.57**

Note 6 Trade and other receivables

(in millions of €)	Sept 30, 2022	Sept 30, 2021	Oct 1, 2020
Receivables from the sale of goods and services	4,219	3,687	2,520
Receivables from finance leases	68	53	48
Total trade and other receivables	**4,287**	**3,740**	**2,568**

Receivables from finance leases related particularly to customer leasing of imaging equipment in the Imaging segment. The corresponding long-term portion is reported in the line item other non-current financial assets and amounted to €255 million as of the reporting date (September 30, 2021: €212 million).

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

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Future minimum lease payments	387	319
Unearned finance income	–59	–50
Net investment in finance leases	**329**	**270**

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

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Within one year	79	62
Between one and two years	66	55
Between two and three years	62	47
Between three and four years	53	44
Between four and five years	45	36
More than five years	82	75
Total	**387**	**319**

Note 7 Other current financial assets

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Receivables from employees	68	61
Derivatives	494	29
Other	162	79
Total other current financial assets	**724**	**169**

The increase of the line item derivatives resulted mainly from an increase in the fair value of forwards for hedging of foreign currency liabilities from financing activities. For further details, please refer to ➔ ***Note 15 Financial debt*** and to ➔ ***Note 25 Financial instruments and hedging activities***.

Note 8 Contract assets

As of the reporting date, contract assets amounted to €1,412 million (September 30, 2021: €1,116 million; October 1, 2020: €818 million). Thereof, contract assets amounting to €297 million (September 30, 2021: €221 million) had a remaining term of more than twelve months. The value of contract assets as of September 30, 2021 included the retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

Note 9 Inventories

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Raw materials and supplies	1,222	753
Work in progress	1,035	977
Finished goods and products held for resale	1,715	1,423
Advances to suppliers	36	25
Total inventories	**4,009**	**3,179**

Besides currency translation effects, the increase in inventories was mainly attributable to steps taken to ensure the delivery capability. In fiscal year 2022, cost of sales included inventories recognized as expenses in the amount of €13,157 million (2021: €10,927 million). Write-offs of inventories increased by €111 million (2021: €90 million) compared to the prior year.

Note 10 Other current assets

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Miscellaneous tax receivables	405	328
Prepaid expenses	187	135
Other	27	26
Total other current assets	**619**	**489**

As of September 30, 2022, miscellaneous tax receivables mainly consisted of sales tax receivables amounting to €392 million (September 30, 2021: €317 million).

Note 11 Goodwill

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Cost		
Balance at beginning of fiscal year	18,713	10,285
Currency translation differences and other	1,773	242[1]
Acquisitions and purchase accounting adjustments	7	8.187[2]
Balance at fiscal year-end	20,493	18,713
Accumulated impairment losses		
Balance at beginning of fiscal year	–1,257	–1,247
Currency translation differences	–175	–10
Balance at fiscal year-end	–1,432	–1,257
Carrying amount		
Balance at beginning of fiscal year	17,456	9,038
Balance at fiscal year-end	19,061	17,456

[1] Value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (reported as of September 30, 2021: €458 million).
[2] Value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (reported as of September 30, 2021: €8,027 million).

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

	Goodwill		Terminal value growth rate		After-tax discount rate	
(in millions of €)	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021	Sept 30, 2022	Sept 30, 2021
Imaging	7,260	6,525	1.9%	1.7%	7.5%	7.5%
Diagnostics	1,854	1,667	1.9%	1.7%	7.0%	6.5%
Varian	8,134	7.636[1]	1.9%	1.7%	8.0%	7.8%
Advanced Therapies	1,812	1,629	1.9%	1.7%	7.0%	6.5%
Total goodwill	**19,061**	**17,456**				

[1] Value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (reported as of September 30, 2021: €7,692 million).

Revenue figures in the five-year detailed planning period for the Imaging, Diagnostics and Advanced Therapies segments included average revenue growth rates (excluding portfolio effects) of 0% to 9% (2021: 1% to 7%). The steady state of Varian will be achieved at a later date in line with the expected disproportionate growth due to an expected increase in new cancer cases and planned realization of synergy effects from the acquisition. Therefore, for the Varian segment a ten-year detailed planning period with an average revenue growth rate (excluding portfolio effects) of 9% (2021: 9%) was used.

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. None of these scenarios resulted in the need for a goodwill impairment.

Note 12 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount at beginning of fiscal year 2022	Currency translation differences	Additions through business combinations	Additions	Reclassifi-cations	Retirements	Gross carrying amount at end of fiscal year 2022	Accumulated amortization, depreciation and impairments	Carrying amount at end of fiscal year 2022	Amortization, depreciation and impair-ments in fiscal year 2022
Internally generated technology	1,990	241	-	212	-	–30	2,413	–918	1,495	–123
Acquired technology including patents, licenses and similar rights	3,459[1]	589	-	25	-	–23	4,049	–733	3,316	–201
Customer relationships and trademarks	5,298[2]	477	18	-	-	-	5,793	–1,892	3,900	–268
Total other intangible assets	**10,746**	1,307	18	237	-	–53	**12,255**	–3,543	**8,712**	–593
Land and buildings	1,656	172	-	61	105	–42	1,951	–797	1,153	–68
Technical machinery and equipment	1,030	103	-	44	44	–76	1,145	–748	397	–75
Office and other equipment	1,283	107	-	144	27	–241	1,321	–930	391	–161
Equipment leased to others	2,010	128	4	294	1	–225	2,211	–1,210	1,002	–241
Advances to suppliers and construction in progress	417	35	-	367	–177	–1	641	-	641	-
Right-of-use assets for land and buildings	780	74	-	99	-	–20	934	–345	589	–139
Right-of-use assets for other property, plant and equipment	188	11	-	89	-	–99	190	–89	100	–64
Total property, plant and equipment	**7,364**	630	4	1,097	-	–703	**8,392**	–4,119	**4,273**	–750

[1] Value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (reported as of September 30, 2021: €3,424 million).
[2] Value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (reported as of September 30, 2021: €5,471 million).

(in millions of €)	Gross carrying amount at beginning of fiscal year 2021	Currency translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Gross carrying amount at end of fiscal year 2021	Accumulated amortization, depreciation and impairments	Carrying amount at end of fiscal year 2021	Amortization, depreciation and impairments in fiscal year 2021
Internally generated technology	1,812	16	-	179	-	–16	1,990	–772	1,218	–126
Acquired technology including patents, licenses and similar rights	862	89	2,530	22	-	–45	3,459[1]	–473	2,985	–110
Customer relationships and trademarks	2,331	67	3,686	-	-	–786	5,298[2]	–1,427	3,871	–175
Total other intangible assets	**5,005**	171	6,216	201	-	**–847**	**10,746**	**–2,672**	**8,074**	**–411**
Land and buildings	1,340	21	180	62	71	–18	1,656	–688	967	–50
Technical machinery and equipment	874	16	66	28	57	–11	1,030	–679	351	–61
Office and other equipment	1,103	17	59	132	31	–58	1,283	–912	371	–136
Equipment leased to others	1,866	34	14	301	1	–206	2,010	–1,088	922	–207
Advances to suppliers and construction in progress	264	8	46	260	–159	–2	417	-	417	-
Right-of-use assets for land and buildings	459	12	145	196	-	–32	780	–204	576	–119
Right-of-use assets for other property, plant and equipment	128	2	16	74	-	–32	188	–80	108	–55
Total property, plant and equipment	**6,033**	110	526	1,052	-	**–358**	**7,364**	**–3,652**	**3,712**	**–628**

[1] Value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (reported as of September 30, 2021: €3,424 million).
[2] Value includes retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (reported as of September 30, 2021: €5,471 million).

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:

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Within one year	70	61
Between one and two years	71	65
Between two and three years	58	53
Between three and four years	45	42
Between four and five years	29	30
More than five years	23	23
Total	**297**	275

In fiscal year 2022, income from operating leases in the amount of €256 million (2021: €248 million) was realized. Included therein were variable lease payments in the amount of €143 million (2021: €126 million). Before Siemens Healthineers concludes contracts with the customer for the sale of reagents and consumables by providing a diagnostic instrument, the order volumes forecasted by the customer are analyzed and verified. Based on realistic sales volumes, individual prices for reagents are calculated, including a price offset for the diagnostic instrument. The average term of customer contracts covers the useful life of the diagnostic instruments.

Siemens Healthineers as lessee

The total cash outflows from leases amounted to €251 million in fiscal year 2022 (2021: €213 million).

Note 13 Other non-current financial assets

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Receivables from finance leases	255	212
Derivatives	2,060	493
Equity instruments and fund shares	170	146
Other	91	78
Total other non-current financial assets	**2,577**	928

The increase of the line item derivatives resulted mainly from an increase in the fair value of forwards for hedging of foreign currency liabilities from financing activities. For further details, please refer to ➔ ***Note 15 Financial debt*** and to ➔ ***Note 25 Financial instruments and hedging activities***.

Note 14 Other non-current assets

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Deferred compensation assets	315	338
Prepaid expenses	104	93
Other	25	28
Total other non-current assets	**444**	460

Deferred compensation assets related to deferred compensation plans in the United States. Please refer to ➔ ***Note 22 Other non-current liabilities*** for the corresponding deferred compensation liabilities.

Note 15 Financial debt

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Short-term financial debt and current maturities of long-term financial debt	234	225
Therein:		
Loans from banks	67	73
Lease liabilities	166	150
Current liabilities to the Siemens Group from financing activities	2,608	1,926
Therein: Lease liabilities	16	24
Total current financial debt	**2,842**	**2,150**
Long-term financial debt	464	457
Therein:		
Loans from banks	15	19
Lease liabilities	446	434
Non-current liabilities to the Siemens Group from financing activities	13,347	11,708
Therein: Lease liabilities	22	47
Total non-current financial debt	**13,811**	**12,164**
Total financial debt	**16,654**	**14,315**

As of September 30, 2022, financing arrangements of Siemens Healthineers with Siemens AG consisted of a multicurrency revolving credit facility of up to €1.1 billion (September 30, 2021: €1.1 billion), which serves to finance net working capital and as a short-term credit facility, as well as a multicurrency revolving credit facility of up to €1.0 billion (September 30, 2021: €1.0 billion) as a backup facility. As of the reporting date, an amount of €200 million (September 30, 2021: €311 million) was drawn from these credit facilities.

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

In fiscal year 2021, the Siemens Group committed to provide Siemens Healthineers additional financing of up to €1.1 billion in connection with the acquisition of Varian. In fiscal year 2021, €850 million thereof were utilized as a loan and the rest of the financing commitment was canceled. This loan originally matured in fiscal year 2022 and has been extended to fiscal year 2029. Up to and including fiscal year 2022, the loan was subject to variable interest rates. From fiscal year 2023, the loan is subject to a contractual interest rate of 3.6%.

In fiscal year 2021, the Siemens Group provided loans denominated in U.S. dollars with various maturities in connection with the acquisition of Varian. As of September 30, 2022, the loan structure was as follows:

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

The resulting foreign currency risks were hedged by forward exchange contracts and by foreign exchange swaps. As a result, the loans with fixed interest rates were effectively converted into synthetic euro-denominated loans and actual interest expenses decreased due to positive forward elements of the forward exchange contracts and foreign exchange swaps. Only the nominal volume of the loan with a variable interest rate was hedged. In total, the actual current volume-weighted average interest rate of the loans amounts to approximately 0.5%.

In addition, there were further loans with the Siemens Group with various maturities and in various currencies. In the overall view across all loans, they were mainly denominated in U.S. dollars. As of September 30, 2022, the structure of further material loans was as follows:

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

In fiscal year 2019, the loans maturing in fiscal years 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%. In addition to the loans listed above, as of September 30, 2020, there was one other loan in the amount of US$0.9 billion maturing and repaid in fiscal year 2021.

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

In fiscal year 2020, the Siemens AG provided an additional variable interest loan in connection with the acquisition of Corindus Vascular Robotics, Inc. (hereinafter "Corindus"), amounting to €1.0 billion that was partly repaid in fiscal year 2021. The outstanding part of the loan in the amount of €0.7 billion matured and was repaid in fiscal year 2022. A variable interest loan in the same amount was taken out with the Siemens AG for refinancing, maturing in fiscal year 2025.

In fiscal year 2022, interest expenses from financing arrangements with the Siemens Group amounted to €80 million (2021: €52 million).

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

			Non-cash changes				
(in millions of €)	**Balance at beginning of fiscal year 2022**	**Cash flows from financing activities[1]**	**Acquisitions**	**Effects from changes in foreign exchange rates**	**Fair value changes**	**Other[2]**	**Balance at end of fiscal year 2022**
Loans from banks	92	–19	-	9	-	-	82
Lease liabilities	656	–194	-	52	-	136	649
Other financial indebtness	5	–1	-	-	-	-	4
Liabilities to the Siemens Group from financing activities[3]	13,562	142	-	2,211	-	3	15,918
Total financial debt	**14,315**	**–72**	**-**	**2,273**	**-**	**139**	**16,654**
Fair value of forwards for hedging of foreign currency liabilities from financing activities	–498	-	-	-	–1,956	–22	–2,476
Current receivables from the Siemens Group from financing activities	–594	–44	-	–46	-	–9	–693
Total liabilities from financing activities	**13,223**	**–116**	**-**	**2,227**	**–1,956**	**107**	**13,485**

[1] Reported in the following line items of the consolidated statements of cash flows: Repayment of long-term debt (including current maturities of long-term debt), change in short-term financial debt and other financing activities and other transactions/financing with Siemens Group.
[2] Including interest accruals and payments.
[3] Excluding separately disclosed lease liabilities.

(in millions of €)	Balance at beginning of fiscal year 2021	Cash flows from financing activities[1]	Non-cash changes				Balance at end of fiscal year 2021
			Acquisitions	Effects from changes in foreign exchange rates	Fair value changes	Other[2]	
Loans from banks	109	–19	42	2	-	–42	92
Lease liabilities	458	–169	112	9	-	246	656
Other financial indebtness	-	4	-	-	-	-	5
Liabilities to the Siemens Group from financing activities[3]	4,936	8,310	-	307	-	8	13,562
Total financial debt	**5,503**	8,127	154	318	-	212	**14,315**
Fair value of forwards for hedging of foreign currency liabilities from financing activities	–92	–40	-	-	–410	44	–498
Current receivables from the Siemens Group from financing activities	–3,271	2,719	-	–42	-	-	–594
Total liabilities from financing activities	**2,141**	10,806	154	276	–410	256	**13,223**

[1] Reported in the following line items of the consolidated statements of cash flows: Repayment of long-term debt (including current maturities of long-term debt), change in short-term financial debt and other financing activities and other transactions/financing with Siemens Group.
[2] Including interest accruals and payments.
[3] Excluding separately disclosed lease liabilities.

Note 16 Additional capital management disclosures

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

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Short-term financial debt and current maturities of long-term financial debt	234	225
Long-term financial debt	464	457
Current liabilities to the Siemens Group from financing activities	2,608	1,926
Non-current liabilities to the Siemens Group from financing activities	13,347	11,708
Fair value of forwards for hedging of foreign currency liabilities from financing activities	–2,476	–498
Current receivables from the Siemens Group from financing activities	–690	–594
Non-current receivables from the Siemens Group from financing activities	–2	-
Cash and cash equivalents	–1,436	–1,322
Net debt	**12,049**	**11,901**
Provisions for pensions and similar obligations	668	908
Net debt (including pensions)	**12,717**	**12,809**
Income before income taxes	2,800	2,404
Interest income, interest expenses and other financial income, net	127	169
Amortization, depreciation and impairments	1,343	1,039
EBITDA	**4,269**	**3,612**
Net debt (including pensions)/EBITDA	**3.0**	**3.5**

Note 17 Other current financial liabilities

As of the reporting date, other current financial liabilities amounted to €343 million (September 30, 2021: €263 million), including the fair value of derivatives in the amount of €130 million (September 30, 2021: €57 million) and liabilities from written put options on non-controlling interests in the amount of €99 million (September 30, 2021: €72 million).

Note 18 Contract liabilities

As of September 30, 2022, contract liabilities amounted to €3,749 million (September 30, 2021: €2,901 million; October 1, 2020: €1,784 million). Included therein were contract liabilities of €740 million (September 30, 2021: €582 million) with a remaining term of more than twelve months. The increase in contract liabilities resulted mainly from the growth in business volume and longer average periods between order intake and the complete execution of the contracts due to headwinds regarding COVID-19 and delivery capability. In fiscal year 2022, an amount of €1,919 million (2021: €1,197 million) included in contract liabilities at the beginning of the period was recognized as revenue. The value of contract liabilities as of September 30, 2021 included the retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

Note 19 Provisions

(in millions of €)	Warranties	Order-related losses and risks	Other	Total
Balance at beginning of fiscal year 2022 (adjusted)[1]	**251**	**113**	**172**	**536**
Therein: Non-current	25	46	79	150
Additions	185	15	40	240
Usage	–166	–15	–21	–203
Reversals	–33	–20	–43	–96
Currency translation differences	14	12	15	42
Other	-	–3	13	10
Balance at end of fiscal year 2022	**251**	**102**	**176**	**530**
Therein: Non-current	19	69	84	173

[1] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (Warranties: €268 million, order-related losses and risks: €65 million, other: €173 million, reported as of September 30, 2021).

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

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

Note 20 Other current liabilities

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Wage and salary obligations and other liabilities to employees	914	1,169
Employee-related accruals	366	353
Miscellaneous tax liabilities	351	288
Other	168	206
Total other current liabilities	**1,799**	**2,016**

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 and overtime entitlements. As of the reporting date, miscellaneous tax liabilities mainly comprised sales tax liabilities of €242 million (September 30, 2021: €195 million).

Note 21 Provisions for pensions and similar obligations

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

Defined benefit plans

The defined benefit plans cover around 55,000 participants. These are divided into 35,000 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 11,000 retirees and surviving dependents who receive benefits. The defined benefit plans are to a certain extent affected by longevity, inflation and compensation increases and take into account country-specific differences. Major plans are funded with assets in external segregated benefit trusts. In accordance with local laws, these plans are managed in the interest of the beneficiaries through trust agreements with the respective benefit trusts. The defined benefit plans open to new entrants are predominantly based on contributions made by Siemens Healthineers. The majority of the provisions for pensions derives from defined benefit plans in the following four countries:

Germany

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

United States

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

United Kingdom

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

Switzerland

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

	Defined benefit obligation (I)		Fair value of plan assets (II)		Effects of asset ceiling (III)		Net defined benefit balance (I-II+III)	
	Fiscal year		Fiscal year		Fiscal year		Fiscal year	
(in millions of €)	2022	2021	2022	2021	2022	2021	2022	2021
Balance at beginning of fiscal year	**4,081**	3,798	**3,259**	2,813	**9**	8	**831**	993
Current service cost	88	80	-	-	-	-	88	80
Interest expenses	51	41	-	-	-	-	51	41
Interest income	-	-	43	33	-	-	–43	–33
Other[1]	–2	1	–2	–2	-	-	-	3
Defined benefit cost recognized in the consolidated statements of income	**137**	122	**41**	30	**-**	-	**96**	92
Return on plan assets (excluding amounts included in net interest income and net interest expenses)	-	-	–666	169	-	-	666	–169
Actuarial gains (–) and losses	–947	–22	-	-	-	-	–947	–22
Effects of asset ceiling	-	-	-	-	48	1	48	1
Remeasurements recognized in the consolidated statements of comprehensive income	**–947**	–22	**–666**	169	**48**	1	**–232**	–191
Employer contributions	-	-	85	82	-	-	–85	–82
Plan participants' contributions	17	9	17	9	-	-	-	-
Benefits paid	–198	–172	–149	–157	-	-	–49	–15
Business combinations, disposals and other	1	307	-	272	-	-	1	35
Currency translation differences	218	38	203	39	-	-	16	–1
Other reconciliation items	**38**	182	**155**	246	**-**	-	**–117**	–63
Balance at fiscal year-end	**3,309**	4,081	**2,789**	3,259	**58**	9	**578**	831
Thereof:								
Germany	1,574	2,033	1,143	1,318	-	-	431	715
United States	912	986	826	948	-	-	86	38
United Kingdom	293	465	343	516	13	8	–38	–43
Switzerland	289	318	333	306	44	-	-	12
Other countries	241	278	143	171	2	1	99	108
Thereof:								
Provisions for pensions and similar obligations							668	908
Net defined benefit assets[2]							90	77

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

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

Net interest expenses related to provisions for pensions and similar obligations amounted to €9 million in fiscal year 2022 (2021: €10 million). The defined benefit obligation was attributable to active employees 46% (2021: 47%), to active and former employees with vested benefits for whom no more current service cost is recognized 12% (2021: 14%), and to retirees and surviving dependents 42% (2021: 39%).

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

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Changes in demographic assumptions	–11	–8
Changes in financial assumptions	–936	–26
Experience gains and losses	-	12
Total actuarial gains (–) and losses	**–947**	–22

Actuarial assumptions

The weighted-average discount rate was as follows:

(in %)	Sept 30, 2022	Sept 30, 2021
Discount rate	4.3	1.7
Euro	3.6	1.0
U.S. dollar	5.5	2.7
British pound	4.7	1.9
Swiss franc	2.2	0.4

Mortality tables applied[1] were:

	Sept 30, 2022	Sept 30, 2021
Germany	Siemens-specific tables (Siemens Bio 2017/2022)	Siemens-specific tables (Siemens Bio 2017/2021)
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 S3 Standard mortality tables for Self-Administered Pension Schemes with allowance for future mortality improvements	SAPS S2 Standard mortality tables for Self-Administered Pension Schemes with allowance for future mortality improvements
Switzerland	BVG 2020 G	BVG 2020 G

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

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

(in %)	Sept 30, 2022	Sept 30, 2021
Compensation increase		
United Kingdom	3.3	3.0
Switzerland	1.5	1.5
Pension progression		
Germany	1.9	1.5
United Kingdom	3.1	3.0

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			
(in millions of €)	Sept 30, 2022 Increase	Sept 30, 2022 Decrease	Sept 30, 2021 Increase	Sept 30, 2021 Decrease
Discount rate	–161	176	–242	271
Compensation increase	13	–13	16	–15
Pension progression	94	–85	158	–144

The effect on the defined benefit obligation of a 10% reduction in mortality rates for all beneficiaries would be an increase of €72 million as of September 30, 2022 (September 30, 2021: €110 million).

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

Asset liability management strategies

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

Disaggregation of plan assets

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Equity securities	421	598
Fixed income securities	1,354	1,590
Thereof:		
Government bonds	135	222
Corporate bonds	1,219	1,369
Alternative investments	328	278
Multi-strategy funds	355	413
Derivatives	136	189
Insurance contracts	122	121
Cash and cash equivalents	62	62
Other	9	9
Total plan assets	**2,789**	**3,259**

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

Future cash flows

As of the reporting date, the expected employer contributions to defined benefit plans for fiscal year 2023 amounted to €115 million (2022: €82 million). Over the next ten fiscal years, average annual benefit payments of €215 million were expected (September 30, 2021: €190 million). The weighted average duration of the defined benefit obligation for Siemens Healthineers' defined benefit plans was 10 years (September 30, 2021: 13 years).

Defined contribution plans

The amount recognized as an expense for defined contribution plans amounted to €649 million in fiscal year 2022 (2021: €487 million). Therein, contributions to state plans of €413 million (2021: €332 million) were included.

Note 22 Other non-current liabilities

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Deferred compensation liabilities	277	303
Employee-related accruals	118	120
Other	10	12
Total other non-current liabilities	**405**	**435**

Deferred compensation liabilities related to deferred compensation plans in the United States. Please refer to ➔ ***Note 14 Other non-current assets*** for the corresponding deferred compensation assets. Employee-related accruals primarily included accruals for anniversary expenses and expenses for partial retirement in Germany.

Note 23 Equity

Resolutions of the Shareholders' Meeting 2022

The Authorized Capital 2021 was canceled by resolution at the Shareholders' Meeting on February 15, 2022. With this resolution, the Managing Board was simultaneously authorized by the Shareholders' Meeting to increase the capital stock, with the approval of the Supervisory Board, on one or more occasions, in one total sum or in installments, during the period until February 14, 2027 by up to €564 million by issuing up to 564,000,000 new ordinary registered shares with no par value against contributions in cash and/or in kind (Authorized Capital 2022). Furthermore, the Managing Board was authorized to exclude the subscription rights of the shareholders with the approval of the Supervisory Board.

The Conditional Capital 2021 and the authorization to issue convertible bonds or warrants under warrant bonds as of February 12, 2021 were canceled by resolution at the Shareholders' Meeting on February 15, 2022. Simultaneously, the share capital was conditionally increased by up to €112.8 million (112,800,000 shares, Conditional Capital 2022) and the authorization of the Managing Board to issue convertible bonds and/or warrant bonds was renewed. The Conditional Capital 2022 serves to grant shares to holders or creditors of bonds issued by Siemens Healthineers AG or one of its affiliated companies until February 14, 2027. Furthermore, the Managing Board was authorized to exclude the subscription rights of the shareholders with the approval of the Supervisory Board.

The authorization of February 12, 2021 to acquire and use treasury shares was canceled by resolution at the Shareholders' Meeting on February 15, 2022. Simultaneously, the Managing Board was authorized to acquire treasury shares until February 14, 2027 for any permissible purpose in an aggregate amount of up to 10% of the capital stock existing at the time the resolution is adopted or, if this amount is lower, of the capital stock existing at the time the authorization is exercised.

Capital increase

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

Further disclosures

Issued capital: As of September 30, 2022 and 2021, the issued capital of Siemens Healthineers AG was divided into 1,128,000,000 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, 2022, the authorized capital of Siemens Healthineers AG was €564 million (September 30, 2021: €484.5 million), issuable on one or more occasions, in one total sum or in installments, until February 14, 2027, by issuing up to 564,000,000 (September 30, 2021: 484,500,000) new ordinary registered shares with no par value in return for contributions in cash and/or in kind. In addition, as of September 30, 2022, the conditional capital of Siemens Healthineers AG was €112.8 million or 112,800,000 shares (September 30, 2021: €107.5 million or 107,500,000 shares). It can be used for servicing convertible bonds and/or warrant bonds.

Capital reserve: In fiscal year 2022, expenses for share-based payment based on Siemens Healthineers AG shares increased the capital reserve by €104 million (2021: €67 million). In connection with the settlement of these share-based payment awards, Siemens Healthineers AG shares, held as treasury shares, were transferred to employees at cost of €74 million (2021: €21 million), leading to a decrease of the capital reserve by €74 million (2021: €21 million). In fiscal year 2021, changes in the capital reserve resulted mainly from the capital increase against cash contributions described above. Furthermore, in fiscal year 2021, effects from transaction costs related to a capital increase of €23 million were recognized.

Treasury shares: In fiscal year 2022, Siemens Healthineers repurchased 6,162,787 (2021: 5,982,699) shares and transferred 2,885,474 (2021: 1,551,983) treasury shares. As of the reporting date, the Group held 8,606,278 (September 30, 2021: 5,328,965) treasury shares.

Dividends: Dividends paid per share were €0.85 in fiscal year 2022. The amount was calculated based on the Group's net income generated during the period from October 1, 2020, until September 30, 2021. For fiscal year 2022, the Managing Board and the Supervisory Board propose to distribute a dividend of €0.95 per share entitled to the dividend, in total representing approximately €1,063 million in expected payments. Payment of the proposed dividend is contingent upon approval at the Shareholders' Meeting on February 15, 2023.

Note 24 Other financial obligations

As of September 30, 2022, extension options existed for leases with undiscounted lease payments in the amount of €589 million (September 30, 2021: €513 million), whose exercise was assessed not reasonably certain.

Undiscounted lease payments for leases committed but not commenced amounted to €126 million as of September 30, 2022 (September 30, 2021: €32 million).

As of the reporting date, contractual commitments for purchases of property, plant and equipment amounted to €173 million (September 30, 2021: €184 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 Sept 30, 2022

(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	1,436	-	-	-	-	1,436
Trade receivables[2]	AC	4,219	-	-	-	-	4,219
Receivables from finance leases[3]	n.a.	-	-	-	-	323	323
Receivables from the Siemens Group	AC	822	-	-	-	-	822
Other financial assets[2]							
Derivatives included in hedge accounting	n.a.	-	-	2,510	-	-	2,510
Derivatives not included in hedge accounting	FVtPL	-	-	44	-	-	44
Equity instruments and fund shares measured at fair value through profit or loss	FVtPL	-	13	9	103	-	125
Equity instruments measured at fair value through other comprehensive income	FVtOCI	-	-	-	56	-	56
Debt instruments measured at fair value through profit or loss	FVtPL	-	-	1	53	-	54
Other	AC	256	-	-	-	-	256
Total financial assets		**6,733**	**13**	**2,564**	**212**	**323**	**9,845**
Short-term and current maturities of long-term financial debt as well as long-term financial debt[4]	AC	86	-	-	-	-	86
Trade payables	AC	2,315	-	-	-	-	2,315
Lease liabilities[5]	n.a.	-	-	-	-	649	649
Liabilities to the Siemens Group[4]	AC	15,927	-	-	-	-	15,927
Other financial liabilities							
Derivatives included in hedge accounting	n.a.	-	-	94	-	-	94
Derivatives not included in hedge accounting	FVtPL	-	-	36	-	-	36
Contingent considerations from business combinations	FVtPL	-	-	-	4	-	4
Liabilities from written put options on non-controlling interests	n.a.	-	-	-	-	99	99
Other	AC	122	-	-	-	-	122
Total financial liabilities		**18,450**	**-**	**130**	**4**	**749**	**19,333**

[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 non-current financial assets.
[4] Excluding separately disclosed lease liabilities.
[5] Reported in the line items short-term financial debt and current maturities of long-term financial debt, long-term financial debt, current liabilities to the Siemens Group and non-current liabilities to the Siemens Group.

Carrying amounts as of Sept 30, 2021

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

[1] AC = Financial Assets/Liabilities at Amortized Cost;
FVtPL = Financial Assets/Liabilities at Fair Value through Profit or Loss;
FVtOCI = Financial Assets at Fair Value through Other Comprehensive Income;
n.a. = not applicable.
[2] Excluding separately disclosed receivables from finance leases.
[3] Reported in the line items trade and other receivables as well as other non-current financial assets.
[4] Excluding separately disclosed lease liabilities.
[5] Reported in the line items short-term financial debt and current maturities of long-term financial debt, long-term financial debt, current liabilities to the Siemens Group and non-current liabilities to the Siemens Group.

- The carrying amounts of the items cash and cash equivalents, short-term and current maturities of long-term financial debt, trade payables, current liabilities to the Siemens Group and other current financial assets and other current financial liabilities measured at amortized cost approximated their fair value due to the short-term maturities of these instruments.
- Trade receivables, receivables from finance leases, receivables from the Siemens Group and other non-current financial assets measured at amortized cost were evaluated taking into account various parameters, such as interest rates, country-specific risks and the individual creditworthiness of the debtors. Based on this evaluation, valuation allowances for these items were recognized. The carrying amounts of the items net of valuation allowances approximated their fair values.
- The carrying amount of liabilities to the Siemens Group from U.S. dollar denominated long-term loans was €11,679 million as of September 30, 2022 (September 30, 2021: €11,552 million). The fair value of these liabilities, which is based on prices provided by price service agencies (level 2), amounted to €9,916 million as of September 30, 2022 (September 30, 2021: €11,768 million). The carrying amounts of the remaining non-current liabilities to the Siemens Group approximated their fair value because the relevant interest rates approximated market interest rates.
- The carrying amounts of other non-current financial liabilities measured at amortized cost approximated their fair value, which is determined by discounting the expected future cash flows using market interest rates.
- The determination of the fair values of derivatives depended on the specific type of instrument. The fair values of forward exchange contracts were based on forward exchange rates (level 2). Options were generally valued based on quoted market prices or based on option pricing models (level 2). In connection with the acquisition of Varian (please also see ➔ ***Note 3 Acquisitions***), Siemens Healthineers entered into a deal contingent forward with a nominal amount of €7,500 million in fiscal year 2020, which was linked to the actual closing of the acquisition. The fair value of this deal contingent forward was

generally based on observable market data such as forward exchange rates, interest curves and volatilities. In addition, the value of the contingency element was taken into account, which depended on expectations about the occurrence and the timing of the closing (level 3). Upon closing of the acquisition, the deal contingent forward was settled and hedge accounting was discontinued. In fiscal year 2021, the effective portion of changes in the fair value of the deal contingent forward of €–90 million was reclassified from the cash flow hedge reserve and considered when determining the costs of the acquisition, while the ineffective portion of €–89 million was recognized in other financial income, net.

- Except for publicly listed investments for which a quoted price in an active market exists (level 1), the fair values of venture capital investments were generally determined on the basis of prices from most recently executed financing rounds (level 3). The fair values of other equity instruments were generally derived from a discounted cash flow valuation (level 3). Expected cash flows are thereby subject to future market and business developments as well as price volatility. The discount rates applied take into account respective risk-adjusted capital costs. The fair value measurement of fund shares was based on their net asset values (level 2).
- Debt instruments measured at fair value through profit or loss consisted mainly of bonds and loans related to the financing of proton therapy centers in the Varian segment. In this context, Siemens Healthineers, along with other debt investors, provided funds to various entities that are used for the development, construction and operation of proton therapy centers, primarily in the United States. The repayment is either directly or indirectly linked to the commercial success of the centers. The fair values of the bonds are based on comparable bond issues, broker and dealer quotations for the same or similar investments in active markets, and other observable inputs such as yields, credit risks, default rates, and volatilities (level 2). The fair values of the loans are primarily based on the individual creditworthiness of the debtor, taking into account the risk characteristics and operating performance of the financed project (level 3). Where appropriate, a probability weighted expected return model is used, utilizing management's assumptions of different outcomes such as the sale, refinancing or closure of the therapy center. Credit ratings are taken into account when adjusting the fair values for credit risks. Consequently, a better rating will generally result in an increased fair value of the loan receivable. As of September 30, 2022, the carrying amounts of financings provided by Siemens Healthineers and measured at fair value through profit or loss were €27 million (September 30, 2021: €22 million), while the total undiscounted amount, including accrued interest, amounted to €205 million (September 30, 2021: €160 million). In addition, the carrying amounts of trade receivables and contract assets related to the proton therapy centers amounted to €9 million (September 30, 2021: €10 million). The carrying amounts represent the maximum exposure to loss.
- The fair values of contingent consideration were derived from probability-weighted future payments, which mainly depend on the achievement of technical and commercial milestones as well as on the achievement of revenue targets during the earn-out period (level 3). If the estimated revenue or probabilities of completing certain milestones increase or decrease during the respective earn-out period, the fair value of the contingent consideration would increase or decrease, respectively.
- Liabilities from written put options on non-controlling interests were measured at fair value, which is based on the present value of the exercise price of the options (level 3). The exercise price is generally derived from the proportionate enterprise value. The liabilities resulted mainly from written put options in connection with interests in ECG Management Consultants (hereinafter "ECG"). The enterprise value of ECG is calculated by an independent appraiser in accordance with a contractually agreed methodology and serves as a basis for the exercise price per share, which is determined at least once a year. The most significant unobservable input used to determine the fair value is financial information from the five-year business plan, which is mainly subject to expected business and market developments. In addition, weighted revenue and earnings multiples are considered. Changes resulting from the revaluation of liabilities from written put options were recognized in retained earnings.

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

	Deal contingent forward		**Equity instruments**		**Debt instruments measured at fair value through profit**		**Contingent considerations from business**		**Liabilities from written put options on non-controlling**	
	Fiscal year		**Fiscal year**		**Fiscal year**		**Fiscal year**		**Fiscal year**	
(in millions of €)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Balance at beginning of fiscal year	**-**	25	**130**	53	**42**	-	**27**	7	**72**	31
Gains and losses recognized in profit or loss	-	–89	6	18	1	2	–1	-	-	-
Gains and losses recognized in equity	-	–115	-	5	-	-	-	-	6	41
Additions	-	-	1	11	1	-	-	-	21	-
Disposals and settlements	-	179	-	–14	-	-	–21	–4	-	-
Currency translation differences	-	-	22	3	8	1	1	-	-	-
Other	-	-	-	54	1	39	–1	24	-	-
Balance at end of fiscal year	**-**	-	**159**	130	**53**	42	**4**	27	**99**	72

In fiscal year 2021, other changes mainly included additions in connection with the acquisition of Varian.

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

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Financial assets measured at amortized cost	–19	–2
Financial liabilities measured at amortized cost	–2,084	–273
Financial assets and financial liabilities measured at fair value through profit or loss	–11	–5
Equity instruments measured at fair value through other comprehensive income	-	5

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 2022, interest expenses on financial liabilities not measured at fair value through profit or loss amounted to €282 million (2021: €194 million) and interest income on financial assets not measured at fair value through profit or loss amounted to €46 million (2021: €25 million). Foreign currency revaluation differences recognized in profit or loss on financial assets and liabilities not measured at fair value amounted to €–2,084 million (2021: €–273 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 non-current financial assets, represent lifetime expected credit losses and changed as follows:

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Valuation allowances at beginning of fiscal year	**129**	**101**
Change in valuation allowances recorded in the consolidated statements of income	19	21
Write-offs charged against allowances	–25	–20
Currency translation differences	12	2
Other	–10	25
Valuation allowances at fiscal year-end	**126**	**129**

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 2022 by €18 million (2021: increase by €22 million). In the prior year, other changes mainly included additions in connection with the acquisition of Varian.

In connection with the acquisition of Varian, Siemens Healthineers purchased a credit-impaired loan that was originally granted for the financing of a proton therapy center, which had to close its operations in the meantime. As of September 30, 2022, the gross carrying amount of this loan was €0 million (September 30, 2021: €0 million), while the undiscounted contractual amount was €77 million (September 30, 2021: €77 million). There have been no significant changes in lifetime expected credit losses since initial recognition.

Receivables from the Siemens Group were classified in stage 1 of the general impairment approach, which means the valuation allowances were measured at an amount equal to the twelve-month expected credit loss. As of September 30, 2022, receivables from the Siemens Group with gross carrying amounts of €822 million (September 30, 2021: €711 million) carried an investment grade rating. In fiscal years 2022 and 2021, no material valuation allowances were recognized.

Offsetting

Siemens Healthineers has entered into master netting agreements and similar agreements for derivatives. As of September 30, 2022, the gross amounts of such derivatives amounted to €2,518 million (September 30, 2021: €506 million) for derivatives with positive fair values and €92 million (September 30, 2021: €47 million) for derivatives with negative fair values. Thereof, €13 million (September 30, 2021: €4 million) were subject to a master netting agreement but were not offset in the consolidated statements of financial position because the offsetting requirements were not met.

Hedging activities

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

In fiscal years 2022 and 2021, Siemens Healthineers did not hold any material derivatives relating to interest rate risk or commodity price risk.

Cash flow hedges

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

The nominal amounts of forward exchange contracts and foreign exchange swaps designated as hedging instruments by maturity were as follows:

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Within one year	3,976	2,240
More than one year	14,118	12,101
Total	**18,094**	**14,341**

As of the reporting date, forward exchange contracts and foreign exchange swaps with a nominal amount of €16,391 million (September 30, 2021: €12,272 million) were used to hedge exchange risks arising from U.S. dollar-denominated loans. The weighted average hedging rate was 1.2797 US$/€ (September 30, 2021: 1.3244 US$/€). For these hedges, only the changes in the value of the spot element of the forward exchange contracts and the foreign exchange swaps were designated as hedging instruments.

The fair values of forward exchange contracts and foreign exchange swaps designated as hedging instruments were as follows:

(in millions of €)	Sept 30, 2022	Sept 30, 2021
Assets[1]	2,510	502
Liabilities[2]	94	45
Total	**2,604**	**547**

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

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

In fiscal year 2022, the changes in fair value of the hedging instruments used for measuring hedge ineffectiveness amounted to €2,051 million (2021: €249 million for forward exchange contracts and foreign exchange swaps, €–204 million for the deal contingent forward). The changes in value of the hedged items amounted to €–2,051 million (2021: €–249 million and €115 million, respectively). There was no material impact on profit or loss resulting from ineffectiveness (2021: €–89 million).

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

	Cash flow hedges reserve		Cost of hedging reserve	
(in millions of €)	Fiscal year 2022	Fiscal year 2021	Fiscal year 2022	Fiscal year 2021
Balance at beginning of fiscal year	**–3**	37	**89**	117
Changes in the fair value of hedging instruments	2,051	134	–282	96
Amounts reclassified into revenue (hedging of forecast sales)	–13	4	-	-
Amounts reclassified into cost of sales (hedging of forecast purchases and intragroup transactions)	212	–39	-	-
Amounts reclassified into other financial income (hedging of financial debt denominated in foreign currency)	–2,022	–273	-	-
Amounts reclassified into interest expenses	–21	3	–156	–125
Amounts reclassified into initial costs of assets	-	114	-	-
Income tax effects	–63	17	130	1
Balance at end of fiscal year	**141**	–3	**–219**	89

Hyperinflationary accounting

As of September 30, 2022, the consumer price index in Argentina was 967 (September 30, 2021: 528) and in Türkiye 1,047 (September 30, 2021: 571). The loss on the net monetary position amounted to €38 million (2021: €7 million).

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 prolonged 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 ultimately 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. In fiscal year 2022, the entities acquired as part of the acquisition of Varian have applied the guideline for the treatment of exchange rate risks in product business for the first time.

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 currency other than its 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, 2022, the VaR relating to exchange rate risks was €88 million (September 30, 2021: €17 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. The increase in the VaR resulted mainly from a higher net foreign currency position after hedging activities and higher foreign currency volatilities for U.S. dollar and Chinese yuan against euro.

Translation risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or its future cash flows will fluctuate because of changes in interest rates. This risk arises whenever interest terms of financial assets and liabilities change. Siemens Healthineers' exposure to the risk of fluctuations in future cash flows resulting from changes in interest rates relates mainly to short-term bank loans as well as money market borrowings and investments at Siemens Group. Long-term liabilities to the Siemens Group primarily have fixed interest rates to reduce the risk of fluctuations in cash flows resulting from changes in interest rates. Moreover, the interest rate risks of fluctuations in the fair values of long-term liabilities are currently not actively managed as no material effects on net income are expected to occur. Accordingly, Siemens Healthineers did not use any interest rate derivatives in fiscal years 2022 and 2021.

As of September 30, 2022, the VaR relating to interest rates was €301 million (September 30, 2021: €148 million). The increase was mainly driven by higher interest rate volatilities in the United States and in the euro zone.

Liquidity risk

Liquidity risks relate to Siemens Healthineers' ability to meet its financial obligations. As of September 30, 2022, Siemens Healthineers' reserve of cash and cash equivalents amounted to €1,436 million (September 30, 2021: €1,322 million).

In the periods presented, Siemens Healthineers was financed largely by the Siemens Group and invested excess liquidity using the Siemens Group's cash pooling and cash management systems. Excluded thereof are currently the entities that were acquired as part of the acquisition of Varian. For details about financing arrangements with the Siemens Group, please refer to ➔ ***Note 15 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 individually for each payment date of an instrument based on the earliest date on which Siemens Healthineers could be required to pay. In addition, the majority of the financing agreements with the Siemens Group include change of control clauses that may result in early maturity (please also see ➔ ***A.8.5 Significant agreements which take effect, alter or terminate upon a change of control following a takeover bid***). Cash outflows for financial liabilities without fixed amount are based on the conditions existing as of September 30, 2022.

(in millions of €)	Fiscal year 2023	Fiscal year 2024	Fiscal years 2025 to 2027	Fiscal years 2028 and thereafter
Non-derivative financial liabilities	**5,683**	**3,079**	**5,133**	**8,108**
Thereof:				
Loans from banks	68	-	-	-
Lease liabilities	196	129	228	152
Trade payables	2,310	3	2	-
Other non-current financial liabilities	213	10	1	2
Liabilities to the Siemens Group[1]	2,896	2,937	4,902	7,954
Derivative financial liabilities	**128**	**-**	**-**	**-**

[1] Excluding separately disclosed lease liabilities.

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

Credit risk

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

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

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

There were no significant concentrations of customer credit risk as of September 30, 2022 and 2021. 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, 2022, collateral and other credit enhancements held for financial assets measured at amortized cost amounted to €57 million (September 30, 2021: €45 million), mainly in the form of letters of credit and guarantees.

As of September 30, 2022, the gross carrying amount of receivables from the sale of goods and services amounted to €4,337 million (September 30, 2021: €3,807 million). Based on rating information from Siemens Financial Services, 47% (September 30, 2021: 42%) were rated with an investment grade rating and 53% (September 30, 2021: 58%) with a non-investment grade rating. For entities acquired as part of the acquisition of Varian, the corresponding rating information for receivables is available from fiscal year 2022. Receivables from finance leases with a gross carrying amount of €329 million (September 30, 2021: €270 million) and contract assets with a gross carrying amount of €1,430 million (September 30, 2021: €1,181 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, 2022, the carrying amount of liabilities from share-based payment amounted to €22 million (September 30, 2021: €46 million). In fiscal year 2022, expenses for equity-settled share-based payment amounted to €106 million (2021: €70 million). Expenses for share-based payment amounted to €105 million (2021: €92 million).

Share-based payment awards granted in fiscal year 2022, including the Siemens Healthineers' stock awards and the Share Matching program, were based on Siemens Healthineers AG shares. In addition, employees continued to participate in existing share-based payment plans of the Siemens Group based on Siemens AG shares. These plans included Siemens' stock awards, the Share Matching program based on Siemens AG shares and the Jubilee Share program.

Stock awards

Siemens Healthineers grants stock awards to members of the Managing Board, members of senior management and other eligible employees. These entitle beneficiaries after expiry of the vesting 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 2022	Fiscal year 2021	Fiscal year 2022	Fiscal year 2021
Non-vested at beginning of fiscal year	**4,553,975**	3,390,682	**89,953**	325,330
Granted	1,900,209	1,479,501	-	-
Vested and fulfilled	–786,423	–189,111	–81,448	–198,643
Forfeited	–614,527	–79,970	–8,505	–36,790
Settled	-	–1,813	-	–81
Adjustment in number of stock awards[1]	–42,413	–45,838	–7	-
Other	-	524	1,813	137
Non-vested at fiscal year-end	**5,010,821**	4,553,975	**1,806**	89,953

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

Siemens' stock awards

With regard to the total target amount of share-based payment, the target attainment of the Siemens' stock awards is bound to the share price performance of Siemens AG relative to the share price performance of competitors during the vesting 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 2022, Siemens Healthineers granted Siemens Healthineers' stock awards to members of the Managing Board, members of senior management and other eligible employees. As in the prior year, the major portion of the Siemens Healthineers' stock awards granted to members of senior management and other eligible employees depends solely on fulfillment of the employee's respective service condition (plan design II). In addition, Siemens Healthineers granted stock awards to members of the Managing Board and eligible members of senior management and other eligible employees that continue to be tied to performance criteria (plan design I). 80% of the target amount are linked to the development of the total shareholder return as compared to two equally weighted external indices during the vesting period (TSR target). The remaining 20% of the target amount are linked to an internal sustainability target considering environmental, social and governance targets (ESG target). The following tables summarize the information for the Siemens Healthineers' stock awards of the 2022 and 2021 tranches.

Siemens Healthineers' stock awards

	Tranche 2022				
	Plan design I				Plan design II
Performance condition	TSR target		ESG target		n.a.
Target attainment	0 - 200%				n.a.
Vesting period	About 4 years				About 1 to about 4 years
Beneficiaries	Members of the Managing Board, eligible members of senior management and other eligible employees				Members of senior management and other eligible employees
Classification	Equity-settled share-based payment				
Number of granted stock awards	443,121[1]				1,457,088
Fair Value at the grant date	€19 million				€93 million
Determination of the fair value	Valuation model		Share price less present value of expected dividends		Share price less present value of expected dividends
Inputs to the valuation model for the following beneficiaries	**Members of the Managing Board**	**Members of senior management and other eligible employees**	**Members of the Managing Board**	**Members of senior management and other eligible employees**	**Members of senior management and other eligible employees**
Expected weighted volatility of Siemens Healthineers AG share[2]	25.56%	25.58%	n.a.	n.a.	n.a.
Share price per Siemens Healthineers AG share	€64.70	€66.20	€64.70	€66.20	€66.20
Expected dividend yield	1.32%	1.29%	n.a.	n.a.	n.a.
Risk-free interest rate	–0.15%	–0.16%	n.a.	n.a.	n.a.

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

Siemens Healthineers' stock awards

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

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

Share Matching program and its underlying plans

Under the Share Matching program, Siemens Healthineers offers plans, which entitle beneficiaries to receive Siemens Healthineers AG shares. Beneficiaries were entitled to receive Siemens AG shares mainly until fiscal year 2018. 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 are classified as cash-settled share-based payment. The weighted average fair value of the Siemens Healthineers' matching shares granted in fiscal year 2022 was €50.53 per share (2021: €34.82 per share). It was derived from the share price less the present value of expected dividends and taking into account non-vesting conditions.

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

	Siemens Healthineers AG shares		Siemens AG shares	
	Fiscal year 2022	Fiscal year 2021	Fiscal year 2022	Fiscal year 2021
Outstanding at beginning of fiscal year	**863,492**	**518,155**	**6**	**121,618**
Granted	385,679	396,904	-	-
Vested and fulfilled	–360,154	-	–6	–119,251
Forfeited	–39,423	–36,365	-	–1,604
Settled	–17,179	–15,202	-	–757
Other	-	-	32	-
Outstanding at fiscal year-end	**832,415**	**863,492**	**32**	**6**

Share matching plan

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

Monthly investment plan

Under the monthly investment plan, employees other than members of senior management can monthly invest a part of their compensation in shares over a period of twelve months. The shares are purchased at market price at a predetermined date once a month. If the Managing Board decides that shares acquired under the monthly investment plan are transferred to the share matching plan, plan participants have the right to receive matching shares under the same conditions applying to the share matching plan described above but with a vesting period of about two years. The Managing Board of Siemens Healthineers AG decided to transfer the shares acquired under the 2021 tranche to the share matching plan in February 2022.

Base share program

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

Jubilee Share program

For their 25th and 40th service anniversaries, eligible employees in Germany receive jubilee shares in form of Siemens AG shares. The Jubilee Share program is classified as cash-settled share-based payment. As of September 30, 2022, 556,619 entitlements to jubilee shares were outstanding for Siemens Healthineers' employees (September 30, 2021: 530,075).

Note 28 Personnel expenses and employees

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Wages and salaries	5,807	5,140
Statutory social welfare contributions and expenses for optional support	811	686
Expenses relating to post-employment benefits	325	241
Total personnel expenses	**6,944**	**6,067**

Wages and salaries in fiscal year 2022 included severance charges of €71 million (2021: €68 million). The prior year included expenses in the amount of €56 million for a special one-time payment to employees related to fiscal year 2021.

Employees were engaged in the following functions (averages):

(in thousands)	Fiscal year 2022	Fiscal year 2021
Manufacturing and services	38	36
Sales	13	13
Research and development	13	12
Administration and general services	6	5
Total employees	**70**	**66**

Note 29 Segment information

(in millions of €)	Adjusted external revenue[1]		Inter-segment revenue		Total adjusted revenue[1]		Adjusted EBIT[2]		Assets[3]		Free cash flow		Additions to other intangible assets and property, plant and equipment[4]		Amortization, depreciation and impairments	
	Fiscal year		Fiscal year		Fiscal year		Fiscal year		Sept 30,		Fiscal year		Fiscal year		Fiscal year	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Imaging	10,657	9,533	324	288	10,981	9,821	2,254	2,076	8,911	7,698	1,960	2,191	218	174	194	178
Diagnostics	6,065	5,417	-	-	6,065	5,418	933	721	6,289	5,164	380	702	594	524	383	353
Varian[5]	3,075	1,300	-	-	3,075	1,300	402	221	14,987	14,504	397	45	37	6,750	61	29
Advanced Therapies	1,915	1,713	5	3	1,920	1,716	240	254	2,295	1,991	178	247	19	17	19	19
Total segments	**21,712**	17,964	**329**	292	**22,041**	18,256	**3,829**	3,272	**32,483**	29,356	**2,915**	3,185	**869**	7,465	**658**	579
Reconciliation to consolidated financial statements[6]	2	33	–329	–292	–327	–259	–1,029	–868	16,572	12,570	–1,263	–925	488	530	685	460
Siemens Healthineers	**21,714**	17,997	-	-	**21,714**	17,997	**2,800**	2,404	**49,056**	41,927	**1,652**	2,259	**1,356**	7,995	**1,343**	1,039

[1] Siemens Healthineers: IFRS revenue.
[2] Siemens Healthineers: Income before income taxes.
[3] On segment level: net capital employed. Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (Varian assets reported as of September 30, 2021: €14,788 million).
[4] Including additions through business combinations, excluding goodwill. Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3 (Varian additions to other intangible assets and property, plant and equipment reported as of September 30, 2021: €6,820 million).
[5] In the prior year, Varian has been included since closing of the acquisition on April 15, 2021.
[6] Including effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations.

Reportable segments

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

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

Measurement and reconciliations

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

Adjusted revenue

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

Revenue includes revenue from contracts with customers and revenue from leasing activities. In fiscal year 2022, income from leases amounted to €401 million (2021: €369 million). In fiscal year 2022, revenue from rapid COVID-19 antigen tests in the Diagnostics segment amounted to €1,550 million (2021: €1,080 million).

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

As of the reporting date, the aggregate amount of transaction prices allocated to performance obligations that were unsatisfied or partially unsatisfied (order backlog) amounted to €34 billion (September 30, 2021: €27 billion). Thereof, €12 billion (September 30, 2021: €9 billion) are expected to be recognized as revenue in the next twelve months.

Intersegment revenue is based on market prices.

Adjusted EBIT

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

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

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

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

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Total segments' adjusted EBIT	**3,829**	**3,272**
Centrally carried pension service and administration expenses	–8	–12
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	–609	–381
Transaction, integration, retention and carve-out costs	–49	–123
Gains and losses from divestments	1	3
Severance charges	–71	–68
Financial income, net	–127	–169
Corporate items	–131	–108
Corporate treasury, Siemens Healthineers Real Estate[1], eliminations and other items	–36	–10
Total reconciliation to consolidated financial statements	**–1,029**	**–868**
Siemens Healthineers' income before income taxes	**2,800**	**2,404**

[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. In fiscal year 2022, this also included expenses of €38 million for an increase in liabilities for variable target income due to a discretionary Managing Board decision at the end of the fiscal year. It was decided to partially offset negative effects arising from the difficult supply chain situation.

Assets

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

(in millions of €)	Sept 30, 2022	Sept 30, 2021[1]
Total segments' assets	**32,483**	**29,356**
Asset-based adjustments	7,532	4,551
Therein:		
Positive fair value of forwards for hedging of foreign currency liabilities from financing activities	2,476	498
Assets corporate treasury	1,537	1,408
Assets Siemens Healthineers Real Estate	1,870	1,402
Receivables from the Siemens Group from non-operating activities	807	708
Current income tax assets and deferred tax assets	649	537
Liability-based adjustments	9,041	8,019
Total reconciliation to consolidated financial statements	**16,572**	**12,570**
Siemens Healthineers' total assets	**49,056**	**41,927**

[1] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

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.

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Total segments' free cash flow	**2,915**	**3,185**
Tax-related cash flow	–877	–808
Corporate items and other	–386	–118
Total reconciliation to consolidated financial statements	**–1,263**	**–925**
Siemens Healthineers' free cash flow	**1,652**	**2,259**

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.

	Revenue by customer location		Revenue by entity location	
(in millions of €)	Fiscal year 2022	Fiscal year 2021	Fiscal year 2022	Fiscal year 2021
Europe, C.I.S., Africa, Middle East (EMEA)	7,091	6,775	7,401	6,935
Americas	8,789	6,407	8,915	6,610
Asia, Australia	5,834	4,815	5,397	4,452
Total	**21,714**	**17,997**	**21,714**	**17,997**
Thereof:				
Germany	1,434	1,745	2,011	2,274
Foreign countries	20,280	16,252	19,703	15,723
Therein:				
United States	7,589	5,466	7,874	5,770
China	2,577	2,354	2,352	2,151

	Location of non-current assets[1]	
(in millions of €)	Sept 30, 2022	Sept 30, 2021[2]
Europe, C.I.S., Africa, Middle East (EMEA)	9,447	9,391
Americas	18,164	15,476
Asia, Australia	4,434	4,375
Total	**32,046**	**29,242**
Thereof:		
Germany	2,344	4,223
Foreign countries	29,702	25,020
Therein: United States	17,565	14,949

[1] Non-current assets consisted of property, plant and equipment, goodwill and other intangible assets.
[2] Values include retrospective adjustments from the purchase price allocation from the acquisition of Varian as of April 15, 2021 within the twelve-months measurement period according to IFRS 3.

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	
(in millions of €)	**Fiscal year 2022**	**Fiscal year 2021**	**Fiscal year 2022**	**Fiscal year 2021**
Siemens AG	6	10	271	263
Other Siemens Group entities	323	296	195	236
Total	**329**	305	**466**	499

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

- In fiscal year 2022, Siemens Healthineers obtained support services from the Siemens Group for central corporate services such as IT, human resources, procurement, accounting, tax, legal, or treasury with a total value of €301 million (2021: €304 million). For certain services, there were fixed payment obligations over a non-cancelable contract term. As of September 30, 2022, the resulting commitment amounted to €78 million (September 30, 2021: €79 million).
- Siemens Healthineers has entered into leasing transactions with the Siemens Group and related benefit trusts that fund pension obligations, mainly for real estate. As of September 30, 2022, total lease liabilities amounted to €57 million (September 30, 2021: €71 million).

Receivables from and liabilities to the Siemens Group

	Receivables from the Siemens Group		Liabilities to the Siemens Group	
(in millions of €)	**Sept 30, 2022**	**Sept 30, 2021**	**Sept 30, 2022**	**Sept 30, 2021**
Siemens AG	289	1	1,320	1,160
Other Siemens Group entities	533	711	14,645	12,480
Total	**822**	711	**15,964**	13,640

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

- Siemens Healthineers is 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.
- In the liabilities to Siemens AG were essentially offsetting effects in connection with the repayment of a loan in the amount of €700 million and its refinancing in the same amount. The original loan served to finance the acquisition of Corindus and was taken out in fiscal year 2020. In addition, the term of a loan in the amount of €850 million, which was granted by the Siemens Group in the prior fiscal year in connection with the financing of the acquisition of Varian and originally maturing in fiscal year 2022, was extended until fiscal year 2029.

Furthermore, in particular liabilities to the Siemens Group increased due to effects from foreign currency revaluation.

In fiscal year 2021, expenses related to the bridge facility, which was provided by other Siemens Group entities for the acquisition of Varian in fiscal year 2020, amounted in total to €28 million. With the closing of the acquisition of Varian, the deal contingent forward entered into with the Siemens AG in fiscal year 2020 was settled. This led to expenses of €89 million in other financial income, net in fiscal year 2021.

In fiscal year 2022, interest expenses from financing arrangements with Siemens AG amounted to €22 million (2021: €16 million) and from financing arrangements with other Siemens Group entities to €58 million (2021: €36 million). These included positive effects from the hedging of exchange rate risks of U.S. dollar-denominated loans.

In fiscal year 2022, interest income from financing arrangements with Siemens AG amounted to €5 million (2021: €–14 million) and from financing arrangements with other Siemens Group entities to €8 million (2021: €11 million).

For further information regarding the financing arrangements with the Siemens Group, please refer to ➔ ***Note 15 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, 2022, related other financial assets and other financial liabilities amounted to €2,518 million (September 30, 2021: €506 million) and €92 million (September 30, 2021: €47 million), respectively.

For further details, please refer to ➔ ***Note 13 Other non-current financial assets***, ➔ ***Note 15 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, 2022, the guarantees issued by Siemens AG and other Siemens Group entities amounted to €16 million (September 30, 2021: €17 million) and €120 million (September 30, 2021: €167 million), respectively.

In addition, the Siemens AG provided letters of support to banks and insurance companies, for example in connection with securing guarantee credit lines and overdraft facilities of the Group. As of September 30, 2022, the obligations secured by letters of support amounted to €640 million (September 30, 2021: €552million).

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 2022, Siemens Healthineers purchased goods and services from its joint ventures and associates in an amount of €69 million (2021: €72 million).

Benefit trusts

Information regarding the funding of post-employment benefit plans, can be found in ➔ ***Note 21 Provisions for pensions and similar obligations.***

Related individuals

Managing Board and Supervisory Board of the Group

In fiscal year 2022, the members of the Managing Board, including the member retired in this fiscal year, received cash compensation totaling €6.7 million (2021: €7.9 million). The fair value at grant date of share-based payment granted in fiscal year 2022 amounted to €7.8 million (2021: €5.4 million) for 193,464 stock awards. Contributions to the Siemens Healthineers BSAV pension plan and other expenses related to pension plans amounted to €1.7 million (2021: €1.5 million). Thus, compensation and benefits granted in fiscal year 2022 in total amounted to €16.2 million (2021: €14.8 million). In fiscal year 2022, expenses related to share-based payment amounted to €5.4 million (2021: €3.6 million).

In fiscal year 2022, a severance payment of €1.4 million, including a special contribution to the Siemens Healthineers BSAV pension plan was granted to the former member of the Managing Board, Dr. Christoph Zindel, who retired as of March 31, 2022. As of September 30, 2022, the defined benefit obligation for pension commitments to former members of the Managing Board and its surviving dependents amounted to €1.5 million.

Compensation attributable to members of the Supervisory Board comprised a base compensation and additional compensation for committee work, and amounted (including meeting fees) to €1.3 million in fiscal year 2022 (2021: €1.3 million).

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

In fiscal years 2022 and 2021, 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, 2022 and 2021, Siemens Healthineers has been controlled by its ultimate parent company Siemens AG. Therefore, the members of the Managing Board and the Supervisory Board of Siemens AG were regarded as key management. Information about Siemens AG's Managing Board and Supervisory Board is included in the remuneration report of the Siemens Group.

Note 32 Principal accountant fees and services

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

(in millions of €)	Fiscal year 2022	Fiscal year 2021
Audit services	10	10
Other attestation services	1	1
Total principal accountant fees	**10**	11

In fiscal year 2022, 31% (2021: 37%) of the total fees was attributable 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, 2022. The declaration is available on the Group's website at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance***.

Note 34 Subsequent events

On November 9, 2022, a transformation of the Diagnostics business was announced. Potential measures include portfolio simplifications, revised sales and supply chain structures, an optimized service setup and a stronger focus of research and development activities on clinical applicability, among others. The target is to achieve a comparable revenue growth between 3% and 5% p.a. in fiscal years until 2025 and an adjusted EBIT margin between 8% and 12% in fiscal year 2025 in the Diagnostics segment. In fiscal year 2023, negative impacts within adjusted EBIT of €100 million to €150 million are expected in this context.

Note 35 List of subsidiaries, joint ventures and associates pursuant to Section 313 (2) of the German Commercial Code

Sept 30, 2022	Equity interest in %
Subsidiaries	
Germany (21 companies)	
Acuson GmbH, Erlangen	100[5]
BEFUND24 GmbH, Erlangen	85
Dade Behring Grundstücks GmbH, Kemnath	94
Siemens Healthcare Diagnostics Products GmbH, Marburg	100[7]
Siemens Healthcare GmbH, Munich	100[7]
Siemens Healthineers Beteiligungen GmbH & Co. KG, Röttenbach	100[8]
Siemens Healthineers Beteiligungen Verwaltungs-GmbH, Röttenbach	100[5]
Siemens Healthineers Holding I GmbH, Munich	100
Siemens Healthineers Holding III GmbH, Munich	100
Siemens Healthineers Innovation GmbH & Co. KG, Röttenbach	100[8]
Siemens Healthineers Innovation Verwaltungs-GmbH, Röttenbach	100[5]
Siemens Medical Solutions Health Services GmbH, Grünwald	100
Siemens Real Estate GmbH & Co. KG, Kemnath	94[8]
Siemens Real Estate Management GmbH, Kemnath	100[5]
Varian Medical Systems Deutschland GmbH & Co. KG, Darmstadt	100[8, 9]
Varian Medical Systems Haan GmbH, Haan	100[7]
Varian Medical Systems München GmbH, Munich	100[7]
Varian Medical Systems Particle Therapy GmbH & Co. KG, Troisdorf	100[8, 9]
VMS Deutschland Holdings GmbH, Darmstadt	100[7]
Zeleni Holding GmbH, Kemnath	100
Zeleni Real Estate GmbH & Co. KG, Kemnath	100[8]
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (83 companies)	
Acuson Denmark S/A, Ballerup/Denmark	100[5]
Acuson France SAS, Saint-Denis/France	100[5]
Acuson Italy S.r.l., Milan/Italy	100[5]
Acuson Middle East FZ LLC, Dubai/United Arab Emirates	100[5]
Acuson Österreich GmbH, Vienna/Austria	100[5]
Acuson RUS Limited Liability Company, Moscow/Russian Federation	100[5]
Acuson Slovakia s. r. o., Bratislava/Slovakia	100[5]
Acuson United Kingdom Ltd., Camberley, Surrey/United Kingdom	100[5]
CTSI (Mauritius) Ltd., Ebene/Mauritius	100
FAST TRACK DIAGNOSTICS LUXEMBOURG S.à r.l., Esch-sur-Alzette/Luxembourg	100
FTD Europe Ltd, Sliema/Malta	100
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69
PETNET Solutions SAS, Lisses/France	100
Siemens Healthcare (Private) Limited, Lahore/Pakistan	100
Siemens Healthcare A/S, Ballerup/Denmark	100
Siemens Healthcare AB, Solna/Sweden	100
Siemens Healthcare AS, Oslo/Norway	100
Siemens Healthcare d.o.o. Beograd, Belgrade/Serbia	100
Siemens Healthcare d.o.o., Ljubljana/Slovenia	100
Siemens Healthcare d.o.o., Zagreb/Croatia	100
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	100
Siemens Healthcare Diagnostics Ltd, Camberley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Manufacturing Limited, Swords, County Dublin/Ireland	100

Sept 30, 2022	Equity interest in %
Siemens Healthcare Diagnostics Manufacturing Ltd, Camberley, Surrey/United Kingdom	100
Siemens Healthcare Diagnostics Products Ltd, Camberley, 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, Camberley, Surrey/United Kingdom	100
Siemens Healthcare Limited, Riyadh/Saudi Arabia	51
Siemens Healthcare Logistics LLC, Cairo/Egypt	100
Siemens HealthCare Ltd., Rosh Ha'ayin/Israel	100
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100
Siemens Healthcare NV, Groot-Bijgaarden/Belgium	100
Siemens Healthcare Oy, Espoo/Finland	100
Siemens Healthcare Proprietary Limited, Halfway House/South Africa	90
Siemens Healthcare S.A.E., Cairo/Egypt	100
Siemens Healthcare S.r.l., Bucharest/Romania	100
Siemens Healthcare S.r.l., Milan/Italy	100
Siemens Healthcare s.r.o., Bratislava/Slovakia	100
Siemens Healthcare Saglik Anonim Sirketi, Istanbul/Türkiye	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., Madrid/Spain	100
Siemens Healthcare, s.r.o., Prague/Czech Republic	100
SIEMENS HEALTHCARE, UNIPESSOAL, LDA, Amadora/Portugal	100
Siemens Healthineers Algeria E.U.R.L., Algiers/Algeria	100[5]
Siemens Healthineers Holding III B.V., The Hague/Netherlands	100
Siemens Healthineers Holding IV B.V., The Hague/Netherlands	100
Siemens Healthineers Holding V B.V., The Hague/Netherlands	100
Siemens Healthineers International AG, Steinhausen/Switzerland	100
Siemens Healthineers Nederland B.V., The Hague/Netherlands	100
Siemens Healthineers Oncology Services Algeria E.U.R.L., Algiers/Algeria	100
Siemens Medicina d.o.o., Sarajevo/Bosnia and Herzegovina	100
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52
V.O.S.S. Varinak Onkoloji Sistemleri Satis Ve Servis Anonim Sirketi, Istanbul/Türkiye	100
Varian Medical Systems (RUS) Limited Liability Company, Moscow/Russian Federation	100
Varian Medical Systems Arabia Commercial Limited, Riyadh/Saudi Arabia	75
Varian Medical Systems Belgium NV, Groot-Bijgaarden/Belgium	100
Varian Medical Systems Finland OY, Helsinki/Finland	100
Varian Medical Systems France SARL, Le Plessis-Robinson/France	100
Varian Medical Systems Gesellschaft mbH, Brunn am Gebirge/Austria	100
Varian Medical Systems Hungary Kft., Budapest/Hungary	100
Varian Medical Systems Iberica SL, Madrid/Spain	100
Varian Medical Systems Imaging Laboratory G.m.b.H., Dättwil/Switzerland	100
Varian Medical Systems Italia S.p.A., Segrate/Italy	100
Varian Medical Systems Mauritius Ltd., Ebene/Mauritius	100

Sept 30, 2022	Equity interest in %
Varian Medical Systems Nederland B.V., Houten/Netherlands	100
Varian Medical Systems Nederland Finance B.V., Houten/Netherlands	100
Varian Medical Systems Poland Sp. z o.o., Warsaw/Poland	100
Varian Medical Systems Scandinavia AS, Herlev/Denmark	100
Varian Medical Systems UK Holdings Limited, Crawley, West Sussex/United Kingdom	100
Varian Medical Systems UK Limited, Crawley, West Sussex/United Kingdom	100
Varinak Bulgaria EOOD, Sofia/Bulgaria	100
Varinak Europe SRL (Romania), Pantelimon/Romania	100
VMS Kenya, Ltd, Nairobi/Kenya	100
Americas (46 companies)	
Acuson Holding LLC, Wilmington, DE/United States	100[5]
Acuson México, S. de R.L. de C.V., Mexico City/Mexico	100[5]
Acuson, LLC, Wilmington, DE/United States	100[5]
Corindus, Inc., Wilmington, DE/United States	100
D3 Oncology Inc., Wilmington, DE/United States	100
Dade Behring Hong Kong Holdings Corporation, Tortola/British Virgin Islands	100
Dedicated2Imaging LLC, Wilmington, DE/United States	80
ECG Acquisition, Inc., Wilmington, DE/United States	100
ECG TopCo Holdings, LLC, Wilmington, DE/United States	73
EPOCAL INC., Toronto/Canada	100
Executive Consulting Group, LLC, Wilmington, DE/United States	100
J. Restrepo Equiphos S.A.S, Bogotá/Colombia	100
Mansfield Insurance Company, Burlington, VT/United States	100
P.E.T.NET Houston, LLC, Austin, TX/United States	51
Page Mill Corporation, Boston, MA/United States	100
PETNET Indiana, LLC, Indianapolis, IN/United States	50[1]
PETNET Solutions Cleveland, LLC, Wilmington, DE/United States	63
PETNET Solutions, Inc., Knoxville, TN/United States	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	100
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City/Mexico	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100
Siemens Healthcare Laboratory, LLC, Wilmington, DE/United States	100
Siemens Healthcare Limited, Oakville/Canada	100
Siemens Healthcare S.A., Buenos Aires/Argentina	100
Siemens Healthcare S.A., Caracas/Venezuela	100[5]
Siemens Healthcare S.A.C., Surquillo/Peru	100
Siemens Healthcare S.A.S., Tenjo/Colombia	100
Siemens Healthcare, Sociedad Anonima, Antiguo Cuscatlán/El Salvador	100
Siemens Healthineers Holdings, LLC, Wilmington, DE/United States	100
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States	100
Siemens S.A., Montevideo/Uruguay	100
Siemens-Healthcare Cia. Ltda., Quito/Ecuador	100
Talent Choice Investment Limited, George Town/Cayman Islands	100
Varian BioSynergy, Inc., Wilmington, DE/United States	100
Varian Medical Systems Africa Holdings, Inc., Wilmington, DE/United States	100
Varian Medical Systems Brasil Ltda., Jundiaí/Brazil	100
Varian Medical Systems Canada, Inc., Ottawa/Canada	100
Varian Medical Systems India Private Limited, Wilmington, DE/United States	100

Sept 30, 2022	Equity interest in %
Varian Medical Systems International Holdings, Inc., Wilmington, DE/United States	100
Varian Medical Systems Latin America, Ltd., Wilmington, DE/United States	100
Varian Medical Systems Netherlands Holdings, Inc., Wilmington, DE/United States	100
Varian Medical Systems Pacific, Inc., Wilmington, DE/United States	100
Varian Medical Systems Puerto Rico, LLC, Guaynabo/Puerto Rico	100
Varian Medical Systems, Inc., Wilmington, DE/United States	100
Asia, Australia (51 companies)	
Acrorad Co., Ltd., Okinawa/Japan	96
Acuson (Shanghai) Co., Ltd., Shanghai/China	100[5]
Acuson Korea Ltd., Seongnam-si/Korea	100[5]
Acuson Singapore Pte. Ltd., Singapore/Singapore	100[5]
American Institute of Pathology and Laboratory Sciences Private Limited, Hyderabad/India	100
Artmed Healthcare Private Limited, Hyderabad/India	100
Asiri A O I Cancer Centre (Private) Limited, Colombo/Sri Lanka	50[2]
Cancer Treatment Services Hyderabad Private Limited, Hyderabad/India	100
Fang Zhi Health Management Co., Ltd, Taipei/Taiwan, Province of China	100
Hangzhou Alicon Pharm Sci & Tec Co., Ltd., Hangzhou/China	100
Hong Tai Health Management Co. Ltd., Taipei/Taiwan, Province of China	100
New Century Technology Co. Ltd., Taipei/Taiwan, Province of China	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., Mumbai/India	100
PT Siemens Healthineers Indonesia, Jakarta/Indonesia	100
Scion Medical Limited, Hong Kong/Hong Kong	100
Scion Medical Technologies (Shanghai) Ltd., Shanghai/China	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai/China	100
Siemens Healthcare Inc., Manila/Philippines	100
Siemens Healthcare K.K., Tokyo/Japan	100
Siemens Healthcare Limited, Auckland/New Zealand	100
Siemens Healthcare Limited, Bangkok/Thailand	100
Siemens Healthcare Limited, Ho Chi Minh City/Viet Nam	100
Siemens Healthcare Limited, Hong Kong/Hong Kong	100
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., Hawthorn East/Australia	100
Siemens Healthcare Sdn. Bhd., Petaling Jaya/Malaysia	100
Siemens Healthineers Diagnostics (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers Digital Technology (Shanghai) Co., Ltd., Shanghai/China	100
Siemens Healthineers India LLP, Bangalore/India	100
SIEMENS HEALTHINEERS INDIA MANUFACTURING PRIVATE LIMITED, Mumbai/India	100[5]
Siemens Healthineers Ltd., Seoul/Korea	100
Siemens Healthineers Ltd., Shanghai/China	100
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	100
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	100
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	90
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	100
Varian Medical Systems Australasia Pty Ltd., Belrose/Australia	100
Varian Medical Systems China Co., Ltd., Beijing/China	100
Varian Medical Systems International (India) Private Limited, Mumbai/India	100

Sept 30, 2022	Equity interest in %
Varian Medical Systems K.K., Tokyo/Japan	100
Varian Medical Systems Korea, Inc., Seoul/Korea	100
Varian Medical Systems Malaysia Sdn Bhd, Kuala Lumpur/Malaysia	100
Varian Medical Systems Philippines, Inc., City of Pasig/Philippines	100
Varian Medical Systems Taiwan Co., Ltd., Taipei/Taiwan, Province of China	100
Varian Medical Systems Trading (Beijing) Co., Ltd., Beijing/China	100
Varian Medical Systems Vietnam Co Ltd, Ho Chi Minh City/Viet Nam	100
Vertice Investment Limited, Hong Kong/Hong Kong	100
Joint ventures and associates	
Germany (2 companies)	
MeVis BreastCare GmbH & Co. KG, Bremen	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49[6]
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (3 companies)	
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31
TRIXELL SAS, Moirans/France	25
VARIAN MEDICAL SYSTEMS ALGERIA SPA, Hydra/Algerien	49[6]
Americas (1 company)	
PhSiTh LLC, New Castle, DE/United States	33
Asia, Australia (1 company)	
Xi'An X-Ray Target Ltd., Xi'an/China	43[6]

Sept 30, 2022	Equity interest in %	Net income in millions of €	Equity in millions of €
Other Investments			
Europe, C.I.S., Africa, Middle East (EMEA) (without Germany) (1 company)			
Medical Systems S.p.A., Genoa/Italy[10]	45[4]	9	131
Americas (2 companies)			
Babson Diagnostics, Inc., Dover, DE/United States[10]	20[4]	–2	32
Proscia, Inc., Wilmington, DE/United States	8	n/a[11]	n/a[11]

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 264 (3) of the German Commercial Code.
8 Exemption pursuant to Section 264b of the German Commercial Code.
9 A consolidated affiliated company of Siemens Healthineers AG is a shareholder with unlimited liability of this company.
10 Values according to the latest available local GAAP financial statements; the underlying fiscal year differs from the Siemens Healthineers fiscal year.
11 n/a = No financial data available.

C.
Additional information

C.1 Responsibility statement

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

Munich, November 23, 2022

Siemens Healthineers AG
The Managing Board

Dr. Bernhard Montag

Darleen Caron

Dr. Jochen Schmitz

Elisabeth Staudinger-Leibrecht

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, 2021 to September 30, 2022, the consolidated statements of financial position as of September 30, 2022, the consolidated statements of cash flows and changes in equity for the fiscal year from October 1, 2021 to September 30, 2022, 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, 2021 to September 30, 2022. In accordance with the German legal requirements we have not audited the non-management report information contained in Chapters ➔ ***A.6.4.1 Internal Control and Risk Management System*** and ➔ ***A.6.4.2 Compliance Management System*** of the combined management report on the significant characteristics of the internal control and risk management system and not the content of chapter ➔ ***A.7.4 Corporate Governance statement*** of the Combined Management Report, including chapter ➔ ***C.4 Corporate governance statement*** of the Annual Report 2022 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, 2022 and of its financial performance for the fiscal year from October 1, 2021 to September 30, 2022, 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 non-management report information contained in Chapters ➔ ***A.6.4.1 Internal Control and Risk Management System*** and ➔ ***A.6.4.2 Compliance Management System*** of the combined management report on the significant characteristics of the internal control and risk management system and not 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, 2021 to September 30, 2022. 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. In fiscal year 2022, significant additional revenue resulted from the sale of rapid COVID-19 antigen tests. Financial management and measurement of the operating results of the segments is generally based on comparable revenue growth and adjusted EBIT-margin. The development of these key performance indicators is primarily determined by the amount of revenue recognized. In view of the materiality of revenue and its significance for the financial management of the Group, we consider revenue recognition to be an area posing a significant risk of material misstatement (including the potential risk of managers circumventing controls) and one of the key audit matters.

Auditor's response: As part of our audit, we identified all significant revenue streams subject to different processes, risks and controls. For these revenue streams we assessed the different revenue recognition processes and the design 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, trade receivables or contract assets and cash receipts (correlation analyses) or any significant or extraordinary changes in key performance indicators (e.g., revenue or gross profit). We also performed cut-off analyses of revenue transactions around the reporting date. We supplemented data analytics with sample testing specifically focusing on revenues for imaging and therapy products as well as revenues related to the sale of rapid COVID-19 antigen tests and assessed the amount and timing of revenue recognized on the basis of contracts, invoices and delivery notes. As part of these procedures, we also obtained external customer confirmations and reviewed credit notes issued after the reporting date.

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

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

Recoverability of goodwill and other intangible assets

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

Auditor's response: To assess the recoverable amounts of goodwill and other intangible assets determined by management, we examined the underlying processes. We obtained an understanding of the underlying valuation models used to determine the recoverable amounts by verifying the applied methodology and arithmetical correctness. To assess estimates of future net cash flows, we reconciled approved budgets with the valuations provided to us. We also examined whether the budget reflects general, industry and product-specific market expectations, including potential COVID-19 impacts and current macroeconomic developments. 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. We also obtained evidence regarding the appropriateness of the determination of cash-generating units or groups of cash-generating units for impairment testing purposes. In addition, we analyzed the disclosures in the notes to the consolidated financial statements on the measurement of goodwill in relation to the requirements of IAS 36. We consulted internal valuation specialists to assess the recoverable amounts.

Our audit procedures did not lead to any reservations relating to the recoverability of goodwill and other intangible assets.

Reference to related disclosures: With regard to the testing of impairment of goodwill and other intangible assets 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 11 Goodwill*** and ➔ ***Note 12 Other intangible assets and property, plant and equipment*** in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in the Annual Report 2022. Management and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the Corporate Governance Code, which is part of the Corporate Governance Statement. In all other respects, management is responsible for the other information. The other information comprises the non-management report information contained in Chapters ➔ ***A.6.4.1 Internal Control and Risk Management System*** and ➔ ***A.6.4.2 Compliance Management System*** of the combined management report on the significant characteristics of the internal control and risk management system and the Corporate Governance statement referred to above.

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

- the Responsibility Statement in chapter ➔ ***C.1 Responsibility statement*** of the Annual Report 2022,
- the Report of the Supervisory Board in chapter ➔ ***C.3 Report of the Supervisory Board*** in the Annual Report 2022,
- Notes and forward-looking statements in chapter ➔ ***C.5 Notes and forward-looking statements*** of the Annual Report 2022,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other legal and regulatory requirements

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

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in file „siemenshealthineers-2022-09-30.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from October 1, 2021 to September 30, 2022 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: "Requirements for Quality Management in the Audit Firm" (IDW QS 1).

Responsibilities of management and the Supervisory Board for the ESEF documents

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

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

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

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

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

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

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

We were elected as group auditor by the Annual Shareholders' Meeting on February 15, 2022. We were engaged by the Supervisory Board on February 28, 2022. We have been the group auditor of Siemens Healthineers AG without interruption since the fiscal year from October 1, 2017 to September 30, 2018.

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

Other matter – use of the auditor's report

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

German Public Auditor responsible for the engagement

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

Munich, November 23, 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Keller
Wirtschaftsprüfer
[German Public Auditor]

Dr. Eisele
Wirtschaftsprüfer
[German Public Auditor]

C.3 Report of the Supervisory Board

Dear Shareholders,

Fiscal year 2022 was challenging – characterized by geopolitical upheavals and significant challenges for the global economy. Russia's attack on Ukraine marks a development we all thought we had left behind: war in Europe and the suffering of millions of people. Against this backdrop, the entire Supervisory Board of Siemens Healthineers AG was not only deeply moved, but also proud of how quickly our company and many of its employees lent support to the Ukrainian people: with privately organized accommodation for refugees, with medical systems and more than 100 metric tons of food, and with €2.6 million in donations to date from the company and its employees.

In parallel to this war, the COVID-19 pandemic continues to this day. In what is now the third year of this challenge, the Healthineers team has continued to do everything it can to protect its employees, maintain operations at its locations, and provide its customers with advice and support. Just one example: To keep production going during the lockdown in China, colleagues at our CT and MR production plants in Shanghai and Shenzhen literally lived on the premises voluntarily for several weeks. On behalf of the entire Supervisory Board of Siemens Healthineers, I wish to express my sincere thanks and deep respect to all the company's employees for their performance in the last fiscal year.

Equal thanks goes to all executive leaders of Siemens Healthineers, who ensured that fiscal year 2022 was a success despite the large number of ongoing challenges, including, for example, disrupted supply chains, construction delays with customers, and increasing inflation worldwide. In the course of the fiscal year, the outlook was twice raised – and the new targets were reached. The ongoing crisis situation did not paralyze the team, but was an incentive for them to make the most of opportunities.

The merger of Varian and Siemens Healthineers, one of the largest transactions in medical technology in recent years, was further advanced in fiscal year 2022. This has made Siemens Healthineers a company that unites innovative strength, technology, expertise, and motivation like no other to battle the world's most threatening illnesses. A strong corporate purpose forms the foundation for shared values, for the company's culture, and its strategy: "We pioneer breakthroughs in healthcare. For everyone. Everywhere."

During the fiscal year, Siemens Healthineers also made solid progress in implementing the strategic objectives of its New Ambition phase. Using selected growth vectors, Siemens Healthineers is addressing the biggest challenges facing healthcare systems: improving access to medical services for the three billion people currently underserved worldwide and alleviating the global shortage of medical personnel. Siemens Healthineers is harnessing innovative medical technology, the digital transformation, and artificial intelligence to improve access to medical services for patients and to the rapidly growing medical knowledge for doctors. At the same time, the company is playing a key role in making the healthcare industry – part of every country's critical infrastructure – more efficient, resilient, and crisis-proof. All this has further enhanced Siemens Healthineers' social importance and responsibility. One sign of this is that, in 2022, the company was a first-time participant at the World Economic Forum in Davos and also began its partnership with UNICEF.

To conclude, I would like to touch upon the changes in the Managing Board: On December 1, 2021, Elisabeth Staudinger-Leibrecht joined the Managing Board, succeeding Dr. Christoph Zindel, who for personal reasons did not wish to renew his mandate. On behalf of the Supervisory Board, I wish to thank Dr. Zindel for his great dedication and outstanding accomplishments for the company in the past years. Ms. Staudinger-Leibrecht is an excellent manager, outstanding leader, and recognized Asia expert. She performs her duties mainly from Shanghai, further strengthening Siemens Healthineers' international orientation.

Despite the many unusual challenges in fiscal year 2022, it has again been a great pleasure for me, together with my colleagues, to help keep Siemens Healthineers on a responsible growth trajectory.

Topics at the plenary meetings of the Supervisory Board

In fiscal year 2022, the Supervisory Board held seven regular meetings 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, including the effects of the COVID-19 pandemic, and the company's workforce trend.

At the meeting on November 3, 2021, we discussed the key financial data for the fourth fiscal quarter and for fiscal year 2021, and examined the amended budget for 2022. On the basis of the target achievement for the 2018 tranche of the long-term variable compensation system, we determined the number of shares to be transferred to the Managing Board members and set the targets for the new 2022 tranche. In addition, we discussed the details of the proposed appointment of Ms. Elisabeth Staudinger-Leibrecht to the Managing Board and subsequently passed the resolution regarding her appointment.

The meeting on November 16, 2021 focused on Siemens Healthineers' strategy and on the upcoming Capital Markets Day 2021. We also discussed the appropriateness of the Managing Board compensation and, on the basis of the target achievement calculated and determined, established the amounts of short-term variable compensation to be disbursed to the Managing Board members for fiscal year 2021. Furthermore, we set the targets for the Managing Board's variable compensation for fiscal year 2022.

On November 24, 2021, we dealt with the financial statements and combined management report for Siemens Healthineers AG and the Group as of September 30, 2021; the report on relationships with affiliated companies as of September 30, 2021, pursuant to Section 312 of the German Stock Corporation Act; the 2021 Annual Report, including the report of the Supervisory Board and the corporate governance report; the compensation report and the agenda for the Annual Shareholders' Meeting on February 15, 2022.

At the meeting on February 2, 2022, the Managing Board reported on the net assets, financial position, and results of operations as of the end of the first fiscal quarter, still including effects of the COVID-19 pandemic. In addition, we discussed talent development within the company and the topic of sustainability.

At the meeting on May 3, 2022, the Managing Board reported to us on the net assets, financial position, and results of operations as of the end of the second fiscal quarter, including current developments as regards the COVID-19 pandemic and the effects of the war in Ukraine.

At our meeting on August 2, 2022, in addition to dealing with the Managing Board's report on the net assets, financial position, and results of operations as of the end of the third fiscal quarter, including the effects of the COVID-19 pandemic, we also reviewed the results of our questionnaire-based self-assessment, including the supplementary interview of the Managing Board conducted by an external consultancy. Furthermore, in preparation for the Declaration of Conformity to be issued in September, we examined the German Corporate Governance Code (GCGC) and the effects of its amendments on the company. In this context, we also covered the topic of sustainability and, based on the Chairperson's Committee's preliminary considerations, considered an amendment to the name of the Innovation and Finance Committee for fiscal 2023, reflecting this additional focus on sustainability. We furthermore discussed the preparations for the Supervisory Board elections to be held at the Annual Shareholders' Meeting 2023.

The meeting on September 30, 2022, centered on the 2023 budget and the strategic focus of the businesses. We discussed various aspects of corporate governance and resolved, in particular, to amend the Supervisory Board's bylaws and to approve the latest Declaration of Conformity with the GCGC prepared in accordance with Section 161 Stock Corporation Act. The aim of the amendments, which entered into force the same day, was in particular to place a stronger focus on sustainability; it now being prescribed, inter alia, that the Innovation and Finance Committee is to regularly deal with sustainability related topics (Environmental, Social and Governance – ESG). In addition, the Supervisory Board discussed the results of the tender to audit the annual and consolidated financial statements and to review the half-year financial report for fiscal year 2024. The Supervisory Board declared its intention to submit a nomination proposal to the Annual Shareholders' Meeting 2024 based on the Audit Committee's recommendation.

The members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties. They keep informed about the latest requirements with regard to their supervisory duties and are supported by the company appropriately. In this context, the company offered the Supervisory Board members three informational events in the past fiscal year – on two of the four business areas and on cybersecurity. The aim of these events, to be continued in the coming fiscal year, is to provide the members of the Supervisory Board with a better understanding of the business, including its strategy and structures.

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 to the extent permitted by law. The committee chairs report on their committees' work to the Supervisory Board at the subsequent Supervisory Board meeting. Details of the members and the tasks of the individual Supervisory Board committees are provided in ➔ ***C.4.1.2 Composition and working methods of the Supervisory Board*** of the Annual Report 2022.

The ***Chairperson's Committee*** met eleven times in the reporting period (four of these meetings were extraordinary). It also adopted one resolution by written circulation. Between meetings, the chair of the Supervisory Board discussed topics of major importance with the members of the Chairperson's Committee. The Chairperson's Committee concerned itself, in particular, with corporate governance topics, including the importance of sustainability to the Supervisory Board and the recommendations to the Supervisory Board on the corresponding amendments to the Bylaws. The latter also included the Innovation and Finance Committee regularly dealing with sustainability-related topics (ESG) and an amendment to its name as a consequence of its extended responsibilities. The Chairperson's Committee further discussed the reallocation of responsibilities among the Managing Board members, and personnel topics, such as the appointment of a new Managing Board member. It also dealt with Managing Board compensation and the corresponding compensation system, including the importance of sustainability in this context, and the compensation system for the Supervisory Board. The Chairperson's Committee also prepared the election of the Supervisory Board at the Annual Shareholders' Meeting 2023. In the process, the Chairperson's Committee either passed certain appropriate resolutions itself or prepared resolutions requiring adoption by the Supervisory Board.

The ***Innovation and Finance Committee*** met four times during the reporting period. Its discussions centered on the innovation and digitalization strategy on the basis of reports submitted by the businesses and regions. A particular focus was on the progress made in integrating Varian and the implementation status of the goals set by the New Ambition Strategy for 2025.

The ***Audit Committee*** met six times during the reporting period (with one meeting being extraordinary). Together with the Managing Board and the independent auditors, the committee discussed the annual financial statements, consolidated financial statements and combined management report for Siemens Healthineers AG and the Group for fiscal year 2021, and the half-year financial report and quarterly statements for fiscal year 2022. 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 2022, and to review the interim financial statements and financial information; it defined the focal points for the audits and determined the auditors' fee. The committee monitored the selection, independence, qualification, rotation, and efficiency of the independent auditors. In this context, it also evaluated the quality of the audit of the financial statements. In addition, the committee was responsible for the tender process for the change of auditor and made a recommendation to the Supervisory Board for the election proposal to be submitted to the Annual Shareholders' Meeting 2024 to change the company's auditors for fiscal year 2024.

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

The ***Related-Party Transactions Committee*** did not meet during the reporting period.

Personalized disclosure of the individual Supervisory Board members' attendance rates

In view of the special circumstances of the COVID-19 pandemic, only virtual meetings were held in the first half of the year. In the second half of the year, the meetings of the Supervisory Board and its committees were held in person, with virtual attendance being made possible in individual cases. Overall, the Supervisory Board, the Chairperson's Committee, and the Audit Committee each met three times in person. Two meetings of the Innovation and Finance Committee were held in person.

For the fiscal year as a whole, the participation rate of members in meetings of the Supervisory Board and its committees was 98%. The attendance record of the individual members of the Supervisory Board and its committees is disclosed below.

	Supervisory Board (plenary meetings)		Chairperson's Committee		Audit Committee		Innovation and Finance Committee		Related-Party Transactions Committee	
(Number of meetings/participation in %)	No.	in %	No.	in %	No.	in %	No.	in %	No.	in %
Prof. Dr. Ralf P. Thomas Chairman	7/7	100	11/11	100	6/6	100	4/4	100		
Dr. Norbert Gaus Deputy Chairman	7/7	100	11/11	100			4/4	100		
Dr. Roland Busch	5/7	71					3/4	75		
Dr. Marion Helmes	7/7	100			6/6	100				
Dr. Andreas C. Hoffmann	7/7	100	11/11	100	6/6	100				
Dr. Philipp Rösler	7/7	100								
Peer M. Schatz	7/7	100					4/4	100		
Dr. Nathalie von Siemens	6/7	86								
Dr. Gregory Sorensen	7/7	100					4/4	100		
Karl-Heinz Streibich	7/7	100					4/4	100		
		96		**100**		**100**		**96**		

Corporate Governance

We regularly monitor the application and ongoing development of our system of corporate governance. Detailed information on corporate governance at the company, including the composition of the Supervisory Board, can be found in ➔ ***C.4 Corporate governance statement*** of the Annual Report 2022.

The Declaration of Conformity with the GCGC adopted on September 30, 2022, was made permanently available to shareholders on the company's website. It is also reproduced in ➔ ***C.4.4 Declaration of conformity with the German Corporate Governance Code*** of the Annual Report 2022.

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 2022, 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 315 e (1) German Commercial Code. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board (IASB). The auditors conducted their audit in accordance with Section 317 German Commercial Code, the EU Audit Regulation, and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), as well as in supplementary compliance with the International Standards on Auditing (ISA). The aforementioned documents, as well as the Managing Board's proposal for the appropriation of net income, were submitted to us in advance by the Managing Board. The Audit Committee discussed the dividend proposal in detail at its meeting on November 7, 2022. It discussed the annual financial statements, the consolidated financial statements, and the combined management report in detail at its meeting on November 25, 2022. 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 and were reviewed comprehensively in the presence of the independent auditors at the Supervisory Board meeting on November 25, 2022. 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 evaluation of the quality 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 to raise. 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 €0.95 per share entitled to a dividend and that the amount of net income attributable to shares of stock not entitled to receive a dividend for the past fiscal year be carried forward. We have endorsed this proposal.

The compensation report was audited separately by the auditors. Besides the statutorily required formal examination pursuant to Section 162 (1) and (2) German Stock Corporation Act, the content of the compensation report was also audited. The auditors were commissioned to perform these tasks in the run-up to the meeting on September 30, 2022.

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

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

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

For that reason, the Managing Board of Siemens Healthineers AG prepared a report on relationships with affiliated companies (dependent company report) for fiscal year 2022 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 no objections were raised to the final results of the audit, 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 reviewed by them. The review led to no objections. On the basis of the definitive results of the preliminary review by the Audit Committee and of our own review, the Supervisory Board has no objections to the Managing Board's declaration on relationships with affiliated companies pursuant to Section 312 (3) sent. 1 of the German Stock Corporation Act. The Supervisory Board concurs with the results of the independent auditors' audit of the dependent company report.

Changes in the composition of the Supervisory Board and Managing Board

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

Supervisory Board

There were no changes in the composition of the Supervisory Board during the reporting period.

Managing Board

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

On behalf of the Supervisory Board, I wish to thank all employees of Siemens Healthineers for their extraordinary dedication in the past fiscal year, which was still marked by the COVID-19 pandemic and by a difficult geopolitical situation. I also want to express my gratitude to the members of the Managing Board, who successfully led the company through another demanding year. 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 25, 2022

For the Supervisory Board

Prof. Dr. Ralf P. Thomas
Chairman

C.4 Corporate governance statement

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

According to Principle 23 German Corporate Governance Code ("Deutscher Corporate Governance Kodex," hereinafter "GCGC"), this combined corporate governance statement for Siemens Healthineers AG and the Group is a key instrument of corporate governance reporting.

C.4.1 Two-tier board

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

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

C.4.1.1 Composition and working methods of the Managing Board

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

The Managing Board is responsible for preparing 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 aligned with the risk situation of the company. Details are available on the website at ➔ ***www.siemens-healthineers.com/company/compliance***.

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

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

Further information about the Managing Board can be found on our website:

- Compensation of the Managing Board in accordance with Section 87a Stock Corporation Act ("Aktiengesetz") is available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance/managing-board-compensation***.
- Compensation Report 2022 including the auditor's report in accordance with Section 162 Stock Corporation Act is available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance***.
- Bylaws of the Managing Board are available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance/bylaws.***

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

In fiscal year 2022 the Managing Board comprised the following members:

				Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises	
Name	**Year of birth**	**First appointed**	**Term expires**	**External positions (as of September 30, 2022)**	**Group company positions (as of September 30, 2022)**
Dr. Bernhard Montag Chief Executive Officer	1969	2018	2026	None	None
Darleen Caron	1964	2021	2024	None	None
Dr. Jochen Schmitz	1966	2018	2026	**German positions:** • Universitätsklinikum Augsburg	None
Elisabeth Staudinger-Leibrecht (since December 1, 2021)	1970	2021	2024	**Positions outside Germany:** • Siemens Ltd., China	**Positions outside Germany:** • Siemens Healthineers Ltd., China • Siemens Healthineers Diagnostics (Shanghai) Co., Ltd., China[1] • Siemens Shanghai Medical Equipment Ltd., China[1] • Siemens Shenzhen Magnetic Resonance Ltd., China[1] • Siemens Technology Development Co., Ltd. of Beijing, China[1] • Siemens X-Ray Vacuum Technology Ltd., Wuxi, China[1]
Dr. Christoph Zindel (until March 31, 2022) as of March 31, 2022	1961	2019	2022	None	None

[1] Termination of the mandate effective October 1, 2022.

C.4.1.2 Composition and working methods of the Supervisory Board

The Supervisory Board oversees and advises the Managing Board in its management of the company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy, and strategy implementation. It reviews the annual financial statements of Siemens Healthineers AG, the consolidated financial statements, and the combined management report, as well as the proposal for the appropriation of net income. It approves the annual financial statements of Siemens Healthineers AG as well as the consolidated financial statements, based on the results of the pre-examination conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Managing Board's proposal for the appropriation of net income and the Report of the Supervisory Board to the Annual Shareholders' Meeting. In addition, the Supervisory Board or the Audit Committee, as appropriate, concerns itself with monitoring the company's compliance with the requirements of legislation, government regulations, and internal company guidelines. The Supervisory Board also appoints the members of the Managing Board and determines each member's business responsibilities. Important Managing Board decisions – such as those regarding major acquisitions, divestments, investments in property, plant, and equipment, or financial measures – are subject to Supervisory Board approval, unless the bylaws for the Supervisory Board specify that such authority is delegated to one of the Supervisory Board committees. The bylaws of the Supervisory Board set out not only its tasks and responsibilities, but also the procedure for holding meetings and adopting resolutions. Since the Supervisory Board concerns itself – in the context of supervision and advice – also with sustainability issues in particular, the bylaws for the Supervisory Board were adapted accordingly, effective September 30, 2022.

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

The activities of the Supervisory Board and its committees during the reporting period are discussed in ➔ ***C.3 Report of the Supervisory Board*** of the Annual Report 2022.

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

Further information about the Supervisory Board can be found on our website:

- Compensation of the Supervisory Board in accordance with Section 113 para. 3 Stock Corporation Act is available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance/supervisory-board-compensation.***
- Compensation Report 2022 including the auditor's report in accordance with Section 162 Stock Corporation Act is available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance.***
- Bylaws of the Supervisory Board are available at ➔ ***www.siemens-healthineers.com/investor-relations/corporate-governance/bylaws.***

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

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

In fiscal year 2022 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, 2022)
Prof. Dr. Ralf P. Thomas Chairman	Member of the Managing Board of Siemens Aktiengesellschaft (Chief Financial Officer)	1961	2018	**German positions:** • Siemens Energy AG • Siemens Energy Management GmbH • Siemens Healthcare GmbH (Chair) **Positions outside Germany:** • Siemens Proprietary Ltd., South Africa
Dr. Norbert Gaus Deputy Chairman	Executive Vice President Corporate Technology of Siemens Aktiengesellschaft	1961	2018	**German positions:** • Siemens Healthcare GmbH
Dr. Roland Busch	President and Chief Executive Officer of Siemens Aktiengesellschaft	1964	2020	**German positions:** • Siemens Mobility GmbH (Chair)
Dr. Marion Helmes	Supervisory board member	1965	2018	**German positions:** • ProSiebenSat.1 Media SE (Deputy Chair) **Positions outside Germany:** • Heineken N.V., The Netherlands • Lonza Group AG, Switzerland
Dr. Andreas C. Hoffmann	General Counsel of Siemens Aktiengesellschaft	1964	2018	**German positions:** • Siemens Healthcare GmbH **Positions outside Germany:** • Siemens Ltd., China
Dr. Philipp Rösler	Supervisory board member	1973	2018	**German positions:** • Brainloop AG **Positions outside Germany:** • Fortum Corporation, Finland • Loc Troi Group, Vietnam
Peer M. Schatz	Managing Director of PS Captial Management	1965	2021	**German positions:** • Resolve BioSciences GmbH (Chair) **Positions outside Germany:** • CENTOGENE N.V., The Netherlands (Chair) • European Healthcare Acquisition & Growth Company B.V., The Netherlands
Dr. Nathalie von Siemens	Supervisory board member	1971	2018	**German positions:** • Messer SE & Co. KGaA • Siemens Aktiengesellschaft • Siemens Healthcare GmbH • TÜV SÜD AG **Positions outside Germany:** • EssilorLuxottica S.A., France
Dr. Gregory Sorensen	Founder and CEO of DeepHealth, Inc. (artificial intelligence division of RadNet, Inc.) and Executive Chairman of IMRIS (Deerfield Imaging, Inc.)	1962	2018	**German positions:** • Fresenius Medical Care AG & Co. KGaA • Fresenius Medical Care Management AG **Positions outside Germany:** • REALM IDx, Inc., USA
Karl-Heinz Streibich	Honorary Chairman of acatech Senate – Deutsche Akademie der Technikwissenschaften	1952	2018	**German positions:** • Deutsche Telekom AG • Münchener Rückversicherungs-Gesellschaft AG

Supervisory Board committees

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

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

The ***Chairperson'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. In addition, it concerns itself with issues of Corporate Governance including the significance of sustainability for the Supervisory Board and the recommendations to the plenary for adapting the bylaws accordingly. This, inter alia. also comprises the assignment of responsibility with regard to sustainability issues (Environmental, Social and Governance -ESG) to the Innovation and Finance Committee as well as the adaption of its name as a result of the extended responsibility. Furthermore, the Chairperson's Committee 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 Chairperson'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 Chairperson's Committee submits proposals to the Supervisory Board for setting the compensation of the individual Managing Board members. The Chairperson's Committee prepares Supervisory Board resolutions regarding the systems of Managing Board and Supervisory Board compensation, including the regular review of those systems. As far as this concerns sustainability-related targets, the Chairperson's Committee can involve the Finance and Innovation Committee which deals with sustainability-related issues (ESG). The Chairperson's Committee furthermore has the task of providing the Supervisory Board with nomination proposals of suitable candidates 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. At the same time, the aim should be to satisfy the profile of required skills and expertise. The Chairperson'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 incentive system for employees.

In fiscal year 2022, the Chairperson's Committee had the following members: Prof. Dr. Ralf P. Thomas (Chairman), Dr. Norbert Gaus, and Dr. Andreas C. Hoffmann.

The ***Audit Committee*** oversees, in particular, accounting and the accounting process. It conducts a pre-examination of the annual financial statements of Siemens Healthineers AG, the consolidated financial statements, and the combined management report, as well as the report on relationships with affiliated companies. On the basis of the independent auditors' report on their audit of the financial statements, the Audit Committee makes, after its own pre-examination, recommendations regarding the Supervisory Board's approval of the annual financial statements of Siemens Healthineers AG and the consolidated financial statements. The Audit Committee discusses the quarterly statements and half-year financial report with the Managing Board and the independent auditors, and deals with the auditors' reports on the review of the Group's half-year consolidated financial statements and interim management report. It concerns itself with issues of accounting and risk management, including the monitoring of the accounting process, the adequacy and effectiveness of the internal control system and the risk management system, including the coverage also of sustainability-related objectives, the effectiveness of the internal audit system and the internal procedure for related-party transactions 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 EU Audit Regulation (Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16, 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 2022, the Audit Committee had the following members: Dr. Marion Helmes (Chairwoman), Dr. Andreas C. Hoffmann, and Prof. Dr. Ralf P. Thomas.

The ***Innovation and Finance Committee*** in particular, is responsible – based on the company's overall strategy, which is the focus of the strategic discussions in the Supervisory Board – for discussions of the company's innovation strategy and the preparation of negotiations and resolutions of the Supervisory Board on investments in tangible assets and financial measures. In addition, the Innovation and Finance Committee has been authorized by the Supervisory Board to decide on the approval of certain transactions and measures that require Supervisory Board approval and have a value of less than €300 million. Moreover, the Innovation and Finance Committee regularly deals with sustainability-related topics (ESG). In the context of Managing Board compensation it can be involved by the Chairperson's Committee as far as sustainability-related targets are concerned.

In fiscal year 2022, the Innovation and Finance Committee had the following members: Prof. Ralf P. Thomas (Chairman), Dr. Roland Busch, Dr. Norbert Gaus, Mr. Peer M. Schatz, Dr. Gregory Sorensen, and Mr. Karl-Heinz Streibich.

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

The Related-Party Transactions Committee has three members, who are elected by the Supervisory Board. The majority of members of the committee, including the committee chairwoman, are individuals for whom there are no concerns about conflicts of interest due to their relations with related parties. In fiscal year 2022, the committee had the following members: Dr. Marion Helmes (Chairwoman), Dr. Andreas C. Hoffmann, and Mr. Karl-Heinz Streibich.

Self-evaluation of the work of the Supervisory Board

The Supervisory Board regularly evaluates how effectively the Supervisory Board as a whole and its committees discharge their duties. In fiscal year 2022, the Supervisory Board conducted a questionnaire-based self-evaluation, as it did in the previous two fiscal years. This comprehensive tool-based self-evaluation was designed to provide an informative summary at the close of the current period of office. With a view to achieving good collaboration in a spirit of trust between the Supervisory Board and Managing Board, the Managing Board's perspective was included in the evaluation process for the first time. This was done by engaging an external service provider who conducted individual interviews with the members of the Managing Board on the basis of a questionnaire prepared in advance.

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

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

C.4.1.4 Shareholders' interests and Annual Shareholders' Meeting

As part of investor relations activities, investors are comprehensively informed about developments within the company. For reporting purposes, Siemens Healthineers also makes extensive use of the Internet. At ➔ ***www.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.

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

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

The main provisions of the law on the introduction of virtual annual general meetings ("Gesetz zur Einführung virtueller Hauptversammlungen"), which sets out how virtual annual shareholders' meetings are to be organized, entered into force on July 27, 2022. Against this backdrop, the Managing Board resolved, after careful consideration, to hold the Annual Shareholders' Meeting on February 15, 2023, as a virtual annual shareholders' meeting without the physical presence of shareholders or their authorized representatives. The Supervisory Board approved this proposal.

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

Targets for the share of women

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

At Siemens Healthineers AG, targets have been set for the Managing Board to include at least one woman by June 30, 2023, and for the first management level below the Managing Board to include at least 25% women by June 30, 2022. There is only one level of management below the Managing Board. The target for the management level below the Managing Board was achieved by June 30, 2022; a new target to include at least 33% women by September 30, 2026, was set.

In appointing Ms. Darleen Caron to the Managing Board with effect from February 1, 2021, until January 31, 2024, Siemens Healthineers AG achieved its self-imposed target for the Managing Board ahead of schedule. In addition, Ms. Elisabeth Staudinger-Leibrecht has been appointed as a further new member of the Managing Board with effect from December 1, 2021, until November 30, 2024.

This brings the share of women on the Managing Board to 50%.

Diversity concept for the Managing Board

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

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

- In addition to the required specific technical skills, and management and leadership experience for the task at hand, Managing Board members should cover a wide range of knowledge and experience, as well as educational and professional backgrounds that are as broad as possible.
- In view of the company's international reach, it should be ensured that the composition of the Managing Board reflects internationality by including different cultural backgrounds or international experience (for example, extended professional experience abroad that is relevant to Siemens Healthineers or the management of foreign business activities).

- Collectively, the Managing Board should have experience of the lines of business important to Siemens Healthineers, in particular (diagnostic) imaging, laboratory diagnostics, clinical therapy, and cancer care.
- Collectively, the Managing Board should have many years of experience in the areas of technology (including information technology and digitalization), transformation processes, sustainability, entrepreneurship, research and development, procurement, production and sales, finance, legal (including compliance), and human resources.
- Appointments to Managing Board positions should also take into account the targets that the Supervisory Board has specified for the share of women on the Managing Board.
- It is regarded as useful to have different age groups represented on the Managing Board. In accordance with the recommendation of the GCGC, the Supervisory Board has set an age limit for members of the Managing Board. In general, an appointment or a renewal of an appointment to the Managing Board is permitted only for persons below the age of 63.

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

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

In the decision made in the reporting period on the appointment of Ms. Elisabeth Staudinger-Leibrecht, the Supervisory Board took appropriate account of the diversity concept during the structured appointment process. It is the Supervisory Board's opinion that this decision is in the company's best interest, as Ms. Elisabeth Staudinger-Leibrecht has shown herself to be an outstanding leader based on her extensive relevant knowledge and impressive performance. The breadth and depth of her scope of experience range from strategic purchasing at Siemens AG via manufacturing activities all the way to extensive regional and global business responsibility, particularly in Asia Pacific, at Siemens Healthineers. At the same time, her appointment to the Managing Board has boosted the company's international reach.

Long-term succession planning for the Managing Board

With the support of the Chairperson'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 Chairperson's Committee regularly discuss potential candidates for the Managing Board. The chair of the Managing Board is involved, unless the discussion is about his or her own succession. The requirement profiles for future Managing Board members defined by the Supervisory Board are not static, but are reviewed at the start of every new succession-planning project, taking into account the current responsibility-specific needs and concrete challenges. The Supervisory Board pursues the approved diversity concept in this process, giving due consideration to ensuring that the knowledge, abilities, and experience of all members of the Managing Board are diverse and balanced. In addition, the Supervisory Board regularly receives information on succession planning for the level below the Managing Board and advises the Managing Board on this matter. The appointment of incumbents of certain management functions at the first level below the Managing Board requires the approval of the Chairperson's Committee.

C.4.3 Tasks of the Supervisory Board; targets, profile of required skills and expertise, and diversity concept

The diversity concept for the Supervisory Board was adopted by the Supervisory Board together with the targets for the Board's own composition, including the profile of the skills and expertise that the Supervisory Board should possess. This framework requires the composition of the Supervisory Board of Siemens Healthineers AG to be such as to ensure that its members collectively are qualified to supervise and advise the Managing Board.

Targets for female representation on the Supervisory Board

Pursuant to the Stock Corporation Act, the Supervisory Board is to set a target for the share of women on the Supervisory Board. If the share of women is less than 30% when the target is set, the target cannot be below the level that has already been achieved.

At Siemens Healthineers AG, the target set for female representation on the Supervisory Board is at least 2/9 by June 30, 2023.

There are already two women on the Supervisory Board: Dr. Marion Helmes and Dr. Nathalie von Siemens. Thus, the target for female representation had already been achieved when the decision was taken at the Annual Shareholders' Meeting 2021 to enlarge the Supervisory Board. As a consequence of the enlargement of the Supervisory Board and the election of the new member, the company has temporarily fallen short of its target for female representation. The next regular election of the majority of Supervisory Board members is planned for the Annual Shareholders' Meeting 2023, which is prior to the deadline for achieving the envisaged target for female representation. Consequently, the election may result in the company achieving its target.

Diversity concept for the Supervisory Board

Sufficient diversity is expected in the composition of the Supervisory Board. In addition to an appropriate gender ratio, this also includes diversity with regard to cultural origin, religion, and ethnic background, as well as diversity of professional background, experience, and mindset. When examining potential candidates for appointments to Supervisory Board positions, diversity should be given appropriate consideration early on in the selection process.

In the process of selecting and nominating candidates for the Supervisory Board, the Supervisory Board takes account of the targets for its composition and the requirements laid down in the diversity concept; this will not change in respect of the next election in the spring of 2023.

These requirements were taken into account when a new member was elected to the Supervisory Board during the reporting period. In selecting Mr. Peer M. Schatz, special attention was paid to his international professional experience and his cross-cultural origins and education.

Profile of required skills and expertise

The composition of the Supervisory Board of Siemens Healthineers AG should be such that it can provide the Managing Board with qualified oversight and consultation.

The candidates proposed for election to the Supervisory Board should have the knowledge, skills, and experience that enable them to perform the duties of a supervisory board member at an international enterprise and strengthen the public image of Siemens Healthineers. The character, integrity, motivation, and professionalism of the persons proposed for election should be given particular consideration.

Pursuant to the Stock Corporation Act, at least one member of the Supervisory Board should have knowledge of accounting and at least one further member should have knowledge of auditing financial statements (also as stipulated by a principle of the GCGC). In addition, the Supervisory Board should collectively be familiar with the sector in which Siemens Healthineers operates. To further specify the principle of the GCGC, the knowledge of accounting should comprise particular know-how and experience in applying accounting principles and internal control and risk management systems, and the knowledge of auditing financial statements should comprise particular know-how and experience in auditing financial statements. Accounting and auditing financial statements include sustainability reporting and the auditing thereof. The Chair of the Audit Committee should have the appropriate knowledge in at least one of the two areas. This person should also be independent.

The aim is for the Supervisory Board as a whole to have all the knowledge and experience considered essential in view of the activities of Siemens Healthineers. This includes, for example, competencies and experience of medical and healthcare technology (including information technology and digitalization), transformation processes, cybersecurity, entrepreneurship, procurement, production and sales, finance, legal (including compliance), and human resources. The Supervisory Board's skills and expertise profile shall also comprise expertise regarding sustainability issues[1] relevant to the enterprise, in particular regarding access to care. The Supervisory Board should also have knowledge and experience of the lines of business important to Siemens Healthineers, in particular (diagnostic) imaging, laboratory diagnostics, clinical therapy, and cancer care. In particular, the Supervisory Board should also include persons who have management experience at a large international enterprise as a result of holding an executive position or as a member of a supervisory board or similar body.

Before potential new members are considered, the Supervisory Board should conduct a review to determine which of its required skills and expertise need to be strengthened.

With its current membership, the Supervisory Board satisfies the profile of required skills and expertise. The Supervisory Board members have the professional and personal qualifications considered necessary. As a group, they are familiar with the sector in which the company operates and have the knowledge, skills, and experience essential for Siemens Healthineers. The status of implementation in respect of the professional competence of the Supervisory Board is set out below in the form of a skills matrix.

[1] In conformity with the Sustainability Report of Siemens Healthineers as amended from time to time. Available at ➔ ***www.siemens-healthineers.com/company/sustainability***.

	Prof. Dr. Ralf P. Thomas[1]	Dr. Norbert Gaus[2]	Dr. Roland Busch	Dr. Andreas C. Hoffmann	Dr. Nathalie von Siemens	Dr. Marion Helmes	Dr. Philipp Rösler	Peer M. Schatz	Dr. Gregory Sorensen	Karl-Heinz Streibich
Member since	2018	2018	2020	2018	2018	2018	2018	2021	2018	2018
Diversity										
Age (as of Nov. 28, 2022)	61	61	57	58	51	56	49	57	60	70
Gender	Male	Male	Male	Male	Female	Female	Male	Male	Male	Male
Nationality	DE	DE	DE	DE	DE	DE	DE	CH/AT	US	DE
International Experience	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Education Background	Business Adminis-tration	Enginee-ring	Physics	Law	Philo-sophy	Business Adminis-tration	Medicine	Econo-mics and Social Sciences	Medicine, Biology, Computer Science	Enginee-ring
Independence										
according to GCGC C.6					✓	✓	✓	✓	✓	✓
according to GCGC C.7	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Areas of competence										
Medical and healthcare technology (incl. Information technology and digitalization)		✓	✓		✓		✓	✓	✓	✓
Sustainability										
Operational			✓		✓		✓	✓		
Strategic		✓	✓		✓		✓	✓	✓	✓
Reporting (incl. audit)	✓			✓		✓				
Transformation	✓	✓	✓	✓	✓	✓	✓	✓		✓
Cybersecurity	✓	✓	✓							✓
Entrepreneurship	✓		✓		✓	✓	✓	✓	✓	✓
Purchasing	✓		✓					✓		
Production and sales		✓	✓					✓	✓	✓
Finance and Legal (incl. Compliance)	✓		✓	✓		✓		✓		✓
Human Resources	✓		✓	✓	✓	✓		✓		
(Diagnostic) Imaging	✓	✓					✓		✓	
Laboratory diagnostics		✓						✓	✓	
Clinical therapy	✓						✓		✓	
Cancer Care		✓						✓	✓	
Management experience at a large international enterprise	✓	✓	✓	✓		✓	✓	✓	✓	✓
Accounting	✓			✓		✓		✓		
Auditing of financial statements	✓			✓		✓				

[1] Chairman.
[2] Deputy Chairman.

In the person of Prof. Dr. Ralf P. Thomas, the Supervisory Board and Audit Committee each have at least one member with special knowledge of accounting. Relevant professional experience: Chief Financial Officer at Siemens AG (as of 2013), Chairman of the Stock Exchange Committee of Experts ("Börsensachverständigenkommission"), which advises Germany's Federal Ministry of Finance (as of July 2019), Chairman of the Administrative Board of the German Committee of Accounting Standards ("Deutsches Rechnungslegungs Standards Committee e.V." (2011 – 2020)), member of the Executive Committee and Managing Board of the German Institute for Share Promotion ("Deutsches Aktieninstitut") (as of January 2014), and Treasurer and member of the Executive Committee of the Max Plank Society ("Max-Planck-Gesellschaft e.V.") (as of June 2014).

As regards the auditing of financial statements, the Supervisory Board and the Audit Committee each have at least one person with the corresponding expertise in the person of Dr. Marion Helmes, Chair of the Audit Committee. Relevant professional experience: Chief Financial Officer at Celesio AG (from 2012 to 2014), Chief Financial Officer at Q-Cells SE (from 2010 to 2011), Chief Financial Officer at ThyssenKrupp Elevator AG (from 2006 to 2010), and Chief Financial Officer at ThyssenKrupp-Stainless AG (from 2005 to 2006). Dr. Marion Helmes, the independent chair of the Audit Committee, thus satisfies the GCGC recommendations for the chair of that committee.

In addition, it is the Supervisory Board's opinion that all members of the Audit Committee have the requisite knowledge of accounting, auditing financial statements and internal control procedures.

International profile

In the light of the company's international reach, it should be ensured that the Supervisory Board has a sufficient number of members with many years' international experience.

A considerable number of Supervisory Board members are engaged in international activities and/or have many years of international experience.

Independence

In accordance with the GCGC, the Supervisory Board should include what it considers to be an appropriate number of independent members from the group of shareholder representatives, thereby taking into account the shareholder structure. Within the meaning of this recommendation of the GCGC, a Supervisory Board member is considered independent if he/she is independent of the company and its Managing Board, and independent of any controlling shareholder. The composition of the Supervisory Board should be such that at least three independent shareholder representatives who meet the above criteria of independence are members of the Supervisory Board.

Under the GCGC, more than half of the shareholder representatives should be independent of the company and the Managing Board. Supervisory Board members are to be considered independent of the company and its Managing Board if they have no personal or business relationship with the company or its Managing Board that may cause a substantial – and not merely temporary – conflict of interest.

In assessing whether its Supervisory Board members are independent of the company or its Managing Board, the shareholder representatives should take into account the aspects stated in C.7 GCGC.

If the company has a controlling shareholder, and the Supervisory Board comprises more than six members, the GCGC recommends that at least two shareholder representatives should be independent of the controlling shareholder. A Supervisory Board member is considered independent of the controlling shareholder if he/she, or a close family member, is neither a controlling shareholder nor a member of the executive governing body of the controlling shareholder, and does not have a personal or business relationship with the controlling shareholder that may cause a substantial – and not merely temporary – conflict of interest.

The Supervisory Board has an adequate number of independent members. In the opinion of the Supervisory Board, there are currently six 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, Ms. Nathalie von Siemens, Mr. Peer M. Schatz, and Mr. Karl Heinz Streibich.

In the opinion of the Supervisory Board, all its members are currently independent of the company and its Managing Board. Some members of the Supervisory Board hold positions of significant responsibility in other companies with which Siemens Healthineers maintains relationships in the ordinary course of business. The Supervisory Board believes that none of these relationships should be considered material.

Availability

Every Supervisory Board member must ensure that they have enough time to perform their tasks. The legal limits on the number of positions, and the upper limit recommended by the GCGC of two supervisory board positions for Managing Board members of publicly listed companies and five supervisory board positions for other members, must be taken into consideration.

With regard to performing the tasks associated with such a position at Siemens Healthineers, it must be taken into account that

- at least five, but usually seven, ordinary Supervisory Board meetings are held per year, which require adequate preparation
- sufficient time must be planned for reviewing the documents relating to the annual and consolidated financial statements
- attendance at the Annual Shareholders' Meeting is mandatory
- depending on membership in one or more of the currently four Supervisory Board committees, additional time is required for attending and adequately preparing for committee meetings; this applies especially to the Audit Committee
- additional extraordinary meetings of the Supervisory Board or a committee may become necessary to deal with special issues.

Age limit and length of membership

Observing the age limit laid down by the Supervisory Board in the bylaws, only persons who at the time of election have not yet reached the age of 71 should usually be proposed for election as a member of the Supervisory Board. The aim is for the Supervisory Board to have an appropriate structure of experience and age.

C.4.4 Declaration of conformity with the German Corporate Governance Code

Declaration of Conformity by the Managing Board and the Supervisory Board of Siemens Healthineers AG with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act

The Managing Board and Supervisory Board declare that, since the issuance of the last Declaration of Conformity dated September 30, 2021, the Company has fully complied with the recommendations of the German Corporate Governance Code as amended on December 16, 2019 ("GCGC 2020"). Furthermore, the Company meets all recommendations of the GCGC as amended on April 28, 2022 (valid from June 27, 2022, "GCGC 2022") and will also do so in the future.

Munich, September 30, 2022
Siemens Healthineers AG

The Managing Board The Supervisory Board

C.4.5 Information on corporate management practices

Suggestions of the German Corporate Governance Code

In addition to recommendations, the GCGC also makes suggestions for good and responsible corporate governance and control. Since September 30, 2021, Siemens Healthineers AG has implemented all the suggestions of the GCGC.

Further corporate governance practices applied beyond legal requirements are contained in the business conduct guidelines.

Business conduct guidelines

The Siemens Healthineers business conduct guidelines provide the ethical and legal framework within which the company intends to operate and to remain on course for success. They contain the basic principles and rules for the conduct of all Siemens Healthineers employees within the company and in relation to our external partners and the general public. They set out how Siemens Healthineers meets its ethical and legal responsibilities as a company. The business conduct guidelines are available at
➔ ***www.siemens-healthineers.com/company/compliance.***

C.5 Notes and forward-looking statements

This document contains statements related to our future business and financial performance and future events or developments involving Siemens Healthineers that may constitute forward-looking statements. These statements may be identified by words such as “expect”, “forecast”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate”, “will”, “target” or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations, plans 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 possibly described in the respective disclosures. Should one or more of these or other risks, uncertainties or factors (e.g. events of force majeure, including but not limited to unrest, acts of war, pandemics or acts of God) materialize, plans change or should underlying expectations not occur or assumptions prove incorrect, Siemens Healthineers' management actions, actual results, performance or achievements of Siemens Healthineers may (negatively or positively) vary materially from those described explicitly or implicitly in the forward-looking statement. All forward-looking statements apply only as of the date when they were made and Siemens Healthineers neither intends nor assumes any obligation, unless required by law, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes supplemental financial measures that are or may be alternative performance measures not precisely defined in the applicable financial reporting framework (non-GAAP measures). These supplemental financial measures may have limitations as analytical tools and should not be viewed in isolation or as alternatives to measures of Siemens Healthineers’ net assets, financial position and results of operations as presented in accordance with the applicable financial reporting framework. Other companies that report or describe similarly titled alternative performance measures may calculate them differently, and therefore they may not be comparable to those included in this document. For further explanations of our (supplemental) financial measures, please see chapter ➔ ***A.2 Financial performance system*** and the Notes to consolidated financial statements, ➔ ***Note 29 Segment information***.

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

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

For technical reasons, there may be differences in formatting between the accounting records appearing in this document and those published pursuant to legal requirements.

In the event that the male form is used in this document, the information nevertheless refers to all persons (male, female, non-binary).

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