Siemens Healthineers

Half-Year Financial Report

First half of fiscal year 2021

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SIEMENS Healthineers

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Introduction

Siemens Healthineers AG's Half-Year Financial Report complies with the applicable legal requirements of the German Securities Trading Act ("Wertpapierhandelsgesetz") and comprises condensed half-year consolidated financial statements, an interim group management report and a responsibility statement in accordance with Section 115 of the German Securities Trading Act.

The Half-Year Financial Report should be read in conjunction with the Annual Report for fiscal year 2020.

A. Interim group management report

A.1 Business principles

Changes to Corporate Structure

On April 15, 2021, Siemens Healthineers completed the acquisition of all shares in Varian Medical Systems, Inc. (hereinafter "Varian") headquartered in Palo Alto, California, USA for about US$16.4 billion (€13.9 billion). To partially finance the acquisition, a second capital increase was carried out in the first half of fiscal 2021, which had the effect of reducing the stake in Siemens Healthineers held directly and indirectly by Siemens AG from around 79% (as of September 30, 2020) to just over 75%.

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

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

Synergies from the acquisition are mainly expected from broader regional coverage of the sales network, cross-selling opportunities into existing customer base and from expanded integrated service offerings (e.g. "Oncology-as-a-Service" program) and value partnerships, as well as joint product innovation. Cost synergies, resulting from the merger of the two businesses, are primarily due to back office adjustments and support processes, the delisting of Varian and joint procurement activities.

There are multiple trends in Varian's segment market. Long-term global demand for radiation oncology benefits from an increase in early cancer diagnosis, demand for multi-modal precision care pathways, need for value-based care, and an aging population. The overall demand for radiation therapy will be driven by an increase in new cancer incidences, projected to grow 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 accelerate the demand for radiation therapy as a cost-effective, high-quality cancer care modality. Technological advancements in equipment and digital solutions and applications that improve radiotherapy and radiosurgery precision to treat a broader range of cases, automate and optimize clinical tools, reduce treatment time, and increase patient throughput continue to drive global replacement demand. The shortage of trained clinical personnel in emerging markets, combined with focus on operational efficiencies, and cost reduction in developed markets drive demand for more automated products and services that can be integrated into clinical workflows to make treatments more rapid and cost-effective. Key players in the radiation oncology market are Elekta, Viewray, and Accuray.

On February 1, 2021, Darleen Caron was appointed as board member and Chief Human Resources Officer. In consequence of her appointment, the Managing Board was extended from three to four members.

Changes to Business Environment

In the first half of fiscal year 2021, the COVID-19 pandemic continued to impact healthcare regulatory systems and processes.

With the new presidential administration in the U.S. heavily focused on the COVID-19 crisis, other healthcare related legislative and regulatory activity have not been a top priority. We expect that trade challenges involving the United States and China will remain a topic in the medium term.

The departure of the United Kingdom from the EU's internal market has led to moderate disruptions of free trade in goods and services, with implications for customs duties, transportation and associated administrative burdens, and ultimately pricing.

A.2 Market development

The COVID-19 pandemic put health systems under enormous strain. This development significantly impacted national economies worldwide, including our addressed markets. We evaluate the impact of the COVID-19 pandemic on our addressed markets on an ongoing basis.

Compared to our assumptions in the 2020 annual report, market developments changed as follows:

For our addressed Imaging markets, we saw a substantial increase in the first half of fiscal year 2021. Market declines in major modalities, e.g. magnetic resonance systems, were still recorded, though they were more than offset by significantly increased interest in equipment and solutions used to diagnose and monitor COVID-19 diseases, e.g. computed tomography systems, (mobile) X-ray systems and digital solutions such as telehealth.

Compared to the estimates in the 2020 annual report, the market for routine tests in laboratory diagnostics, recovered slightly as a result of the increasing number of patients. Markets for laboratory diagnostic tests and point-of-care tests for patient monitoring related to COVID-19 and tests for the detection of SARS-CoV-2, including antigen rapid tests, increased very significantly. The market for molecular diagnostics also increased very substantially. Based on market information, this has led to significant growth in the addressable Diagnostics market in the first half of fiscal year 2021.

During this same period, markets for Advanced Therapies declined more slowly than expected in the annual report 2020, reflecting a slow decline in buying restraint.

China is one of our biggest markets and a major incremental growth driver. In the absence of further pandemic waves, the country returned to regular business activity in a relatively short time. Markets for our Imaging segment benefitted from government investment in modalities used to detect and prevent the spread of COVID-19. Since the number of elective procedures increased, the addressable market for our Advanced Therapies segment is recovering gradually as the Chinese economy returns to normal. The decline of the Diagnostic market (excluding molecular diagnostics) continued in the first half of fiscal year 2021 as tests in routine care and the Point-of-Care market decreased.

Globally, many other countries have not yet achieved sustained progress with the COVID-19 pandemic response, and are still in forms of lockdown, amongst them major markets like the U.S., Germany and Japan. The length of lockdowns and the speed of achieving herd immunity through vaccination continue to determine how economies and our markets might be impacted.

The U.S. remain the country with the highest number of COVID-19 infections and deaths. However, we expect the Imaging segment's market to recover in the near term as it has grown slightly in recent quarters due to increased interest in equipment and solutions used to diagnose and monitor COVID-19, e.g. computed tomography systems and (mobile) x-ray.

A.3 Results of operations

A.3.1 Revenue by segment and region

(in millions of €)[1]	2021	First half 2020	%-Change Act.	%-Change Comp.[2]
Siemens Healthineers	**7,833**	7,272	**8%**	**13%**
Therein:				
Imaging	4,687	4,530	3%	8%
Diagnostics	2,420	2,018	20%	26%
Advanced Therapies	820	825	–1%	4%

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

Revenue by region (location of customer)

(in millions of €)	2021	First half 2020	%-Change Act.	%-Change Comp.[1]
Europe, Commonwealth of Independent States, Africa, Middle East (EMEA)	2,929	2,312	27%	30%
Therein: Germany	652	411	59%	59%
Americas	2,686	2,935	–8%	0%
Therein: United States	2,271	2,517	–10%	–2%
Asia, Australia	2,219	2,025	10%	12%
Therein: China	1,100	923	19%	21%
Siemens Healthineers	**7,833**	7,272	**8%**	**13%**

[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.

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Revenue rose by 8% on a nominal basis to €7,833 million. On a comparable basis, revenue increased by 13% from the prior-year period, which had already been negatively affected by the COVID-19 pandemic in all segments. All segments contributed to this revenue growth. The Diagnostics segment posted sharp growth, particularly supported by the high demand for rapid COVID-19 antigen tests. Currency translation effects had a negative effect of around 6 percentage points on revenue growth.

Segments

Adjusted revenue in Imaging rose by 3% on a nominal basis to €4,687 million. On a comparable basis, adjusted revenue increased by 8%. Computed Tomography reported sharp growth and X-Ray Products posted very strong growth because their systems are particularly used for diagnosis and monitoring of COVID-19 patients. From a geographic perspective, EMEA posted sharp and Asia, Australia recorded significant comparable revenue growth, whereas growth in the Americas slightly declined.

Adjusted revenue in Diagnostics rose by 20% on a nominal basis to €2,420 million. On a comparable basis, adjusted revenue increased by 26%. All regions contributed to this growth. EMEA recorded sharp revenue growth, particularly supported by the high demand for rapid COVID-19 antigen tests, which were primarily distributed in Germany and with which the company generated revenue of overall €320 million. Asia, Australia recorded very strong growth compared to the prior-year period, which had already been negatively affected by the COVID-19 pandemic. The Americas also achieved strong comparable revenue growth.

Adjusted revenue in Advanced Therapies declined by 1% on a nominal basis to €820 million. On a comparable basis, adjusted revenue increased by 4%. EMEA and Asia, Australia reported significant comparable revenue growth, which was partly offset by a strong pandemic-related decline in the Americas compared to the strong prior-year period.

Regions

In EMEA, comparable revenue increased by 30%, which was driven by all segments, particularly by sharp growth in Diagnostics and Imaging. Germany reported a sharp comparable revenue increase, primarily due to the high demand for rapid COVID-19 antigen tests in the Diagnostics segment. Imaging also contributed with significant growth and Advanced Therapies with sharp growth.

In the Americas, revenue was flat on a comparable basis. A slight decline in Imaging and a very strong decrease in Advanced Therapies were offset by a strong development in Diagnostics. Revenue in the United States slightly declined on a comparable basis, affected by a moderate pandemic-related decline in Imaging and a strong pandemic-related decrease in Advanced Therapies, whereas Diagnostics recorded moderate growth.

In Asia, Australia, comparable revenue increased by 12%. All segments contributed to this growth, with Imaging and Advanced Therapies posting significant growth and Diagnostics recording very strong growth. China showed sharp comparable revenue growth, especially driven by Imaging in particular by high demand for computer tomographs and x-ray products. Advanced Therapies also contributed with sharp growth and Diagnostics with strong growth.

A.3.2 Adjusted EBIT

(Adjusted EBIT in millions of €, margin in %)	2021	First half 2020[1]
Adjusted EBIT	**1,404**	1,152
Therein:		
Imaging	1,041	917
Diagnostics	268	97
Advanced Therapies	136	161
Adjusted EBIT margin	**17.9%**	15.8%
Therein:		
Imaging	22.2%	20.2%
Diagnostics	11.1%	4.8%
Advanced Therapies	16.5%	19.5%

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

Reconciliation to net income:

(in millions of €)	2021	First half 2020[1]
Adjusted EBIT	**1,404**	1,152
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	–66	–87
Transaction, integration, retention and carve-out costs	–23	–19
Severance charges	–37	–34
Total adjustments	–126	–140
EBIT	**1,278**	1,011
Financial income, net	–56	–10
Income before income taxes	**1,223**	1,001
Income tax expenses	–338	–282
Net income	**885**	719

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

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In the first half of fiscal year 2021, adjusted EBIT increased by 22% from the prior-year period, supported by a positive revenue development. The adjusted EBIT margin rose from 15.8% in the prior-year period to 17.9%, mainly due to a strong margin development in Diagnostics, which was primarily driven by high demand for rapid COVID-19 antigen tests. Higher expenses for performance-related remuneration components and slightly unfavorable currency effects held back profitability.

Research and development expenses declined by €13 million, or around 2%. Adjusted for currency effects, they increased by 1%.

Selling and general administrative expenses declined by €67 million, or around 6%, due to pandemic-related lower cost spending, such as reduced travel costs. Adjusted for currency effects, they decreased by around 1%.

Segments

The Imaging segment's adjusted EBIT margin increased from 20.2% in the prior-year period to 22.2%, mainly driven by higher revenues, while higher expenses for performance-related remuneration components and negative currency effects held back profitability.

In Diagnostics, the adjusted EBIT margin of 11.1% was clearly above the prior-year level of 4.8%, mainly driven by additional volume from rapid COVID-19 antigen tests. The margin also benefited from positive currency effects, while higher expenses for performance-related remuneration components held back profitability.

In Advanced Therapies, the adjusted EBIT margin of 16.5% was below the prior-year level of 19.5%. It was negatively affected by currency effects, a less favorable business mix, expenses for further development of the Corindus business and higher expenses for performance-related remuneration components.

Reconciliation to net income

The position amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments decreased to €66 million. In the first half of fiscal year 2021, no other effects from IFRS 3 purchase price allocation adjustments are included. Transaction and integration costs of €23 million were incurred mainly due to the acquisition of Varian. In the prior-year period, this position predominately included costs in connection to the acquisition of Corindus Vascular Robotics, Inc. (hereinafter "Corindus").

Financial income declined from the prior-year period by €45 million to negative €56 million, mainly due to expenses in connection with the acquisition of Varian. The prior-year period included an interest income related to international tax procedures.

Income tax expenses increased by €56 million. The effective income tax rate was at 27.6% in the first half of fiscal year 2021, compared to 28.2% in the prior-year period.

Based on the effects described above, net income increased by €166 million to €885 million.

Reconciliation to basic earnings per share:

(in €)	2021	First half 2020[1]
Basic earnings per share	**0.81**	**0.71**
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	0.06	0.09
Transaction, integration, retention and carve-out costs	0.02	0.02
Severance charges	0.03	0.03
Transaction-related costs within financial income	0.03	-
Tax effects on adjustments[2]	–0.04	–0.04
Adjusted basic earnings per share	**0.92**	**0.81**

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

Due to the developments described above, adjusted basic earnings per share grew by 13% to €0.92 in the first half of fiscal year 2021.

A.4 Net assets and financial position

A.4.1 Net assets and capital structure

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Operating net working capital	2,538	2,550
Remaining current assets[1]	567	644
Remaining non-current assets[1]	14,951	14,736
Net debt (including pensions)[1]	–296	–2,513
Remaining current liabilities[1]	–2,037	–1,936
Remaining non-current liabilities[1]	–953	–969
Total equity	**14,770**	**12,511**

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

Material developments in the current fiscal year within net assets and capital structure are described below.

Operating net working capital

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Trade and other receivables	2,794	2,568
Contract assets	787	818
Inventories	2,425	2,304
Trade payables	–1,483	–1,356
Contract liabilities	–1,981	–1,784
Receivables from and payables to the Siemens Group from operating activities	–4	-
Operating net working capital	**2,538**	**2,550**

Operating net working capital remained stable, with a decrease of €12 million to €2,538 million.

Trade and other receivables rose by €226 million, mainly due to increased business volume in the Diagnostics segment. In addition, inventories were up by €120 million. This increase was attributable to ensure the delivery capability in the second half of fiscal year 2021. This development was counterbalanced by increases of €197 million in contract liabilities and of €127 million in trade payables, both related mainly to an increased business volume.

Remaining current assets

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Other current financial assets[1]	96	141
Current income tax assets	28	49
Other current assets	358	338
Remaining current receivables from the Siemens Group	85	116
Remaining current assets	**567**	**644**

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

Remaining non-current assets

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Goodwill	9,061	9,038
Other intangible assets	1,882	1,912
Property, plant and equipment	2,885	2,774
Investments accounted for using the equity method	37	37
Other financial assets[1]	290	261
Deferred tax assets	459	419
Other assets	339	295
Remaining non-current assets	**14,951**	**14,736**

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

Remaining non-current assets increased by €215 million to €14,951 million. Property, plant and equipment was up by €111 million, partly due to ongoing real estate projects for capacity expansions in Germany and India.

Net debt (including pensions)

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

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Cash and cash equivalents	–559	–656
Current receivables from the Siemens Group from financing activities	–14,544	–3,271
Current liabilities to the Siemens Group from financing activities	2,624	2,040
Liabilities to the Siemens Group from financing activities	11,462	2,982
Market value of forwards for hedging of foreign currency liabilities from financing activities	–111	–92
Short-term financial debt and current maturities of long-term financial debt	223	167
Long-term financial debt	265	314
Net debt	**–641**	**1,484**
Provisions for pensions and similar obligations	937	1,029
Net debt (including pensions)	**296**	**2,513**

Net debt

Net debt decreased by €2,125 million to a net investment of €641 million, mainly due to the investment of the funds received from the capital increase, completed in March 2021, for financing the acquisition of Varian.

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

The dividend payment of €856 million reduced the balance of current receivables from and liabilities to the Siemens Group from financing activities.

Current receivables from the Siemens Group from financing activities increased by €11,273 million, mainly due to the investment of the funds from financing transactions for the acquisition of Varian. As of March 31, 2021, short-term investment included funds from capital increases of €5.0 billion completed in September 2020 and March 2021. In addition, loans of US$10.0 billion granted by the Siemens Group in connection with the acquisition of Varian were included. These loans led to a corresponding increase in liabilities to the Siemens Group from financing activities.

The decrease of €97 million in cash and cash equivalents resulted mainly from the investment of cash from Siemens Healthineers entities in China with the Siemens Group. At the same time, this led to an increase in current receivables from the Siemens Group from financing activities.

Pensions
Provisions for pensions and similar obligations decreased by €92 million mainly due to a favorable development of the plan assets and an increase in the discount rate in countries with significant pension commitments.

Financing management
For the acquisition of Varian, the Siemens Group granted loans denominated in U.S. dollars and provided financing commitments to Siemens Healthineers. Further details, including maturities and interest rates of the loans, are described in ➔ ***Note 4 Financial instruments*** in the notes to the half-year consolidated financial statements.

For further information regarding the purchase price of Varian and the use of additional financing provided by the Siemens Group at closing of the acquisition, please refer to ➔ ***Note 8 Subsequent events*** in the in the notes to the half-year consolidated financial statements.

As of March 31, 2021, the multicurrency revolving credit facility of up to €1.1 billion (September 30, 2020: €1.1 billion) granted by the Siemens Group, which serves as short-term loan facility and to finance net working capital, was utilized in the amount of €448 million (September 30, 2020: €166 million).

Remaining current liabilities

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Other current financial liabilities[1]	154	93
Current provisions	287	270
Current income tax liabilities	283	374
Other current liabilities	1,313	1,198
Remaining current liabilities	**2,037**	**1,936**

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

Remaining current liabilities increased by €102 million to €2,037 million. Therein, other current liabilities increased by €115 million, attributable primarily to a rise in accruals for personnel costs. In addition, other current financial liabilities grew by €61 million mainly due to changes in value of derivatives to hedge foreign currency risks in connection with operations. This was partly offset by a decrease of €91 million in current income tax liabilities, due mainly to a tax assessment for a prior year in Germany.

Remaining non-current liabilities

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Deferred tax liabilities	467	470
Provisions	135	144
Other financial liabilities[1]	4	10
Other liabilities	348	345
Remaining non-current liabilities	**953**	**969**

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

Total equity

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Issued capital	1,128	1,075
Capital reserve	15,777	13,476
Retained earnings	–1,180	–1,276
Other components of equity	–804	–741
Treasury shares	–159	–36
Total equity attributable to shareholders of Siemens Healthineers AG	**14,762**	**12,498**
Non-controlling interests	8	13
Total equity	**14,770**	**12,511**

Equity rose by €2,259 million to €14,770 million, mainly as a result of a capital increase through issuing new shares of Siemens Healthineers AG for financing the Varian acquisition. Thus, issued capital increased by €53 million. In capital reserve, the issuance of new shares, including effects from transaction costs and taxes, led to an increase of €2,275 million.

Retained earnings increased by €96 million, mainly attributable to remeasurements of defined benefit plans. The increase of €875 million in net income attributable to shareholders of Siemens Healthineers AG was offset by paid dividends of €856 million. Other components of equity decreased by €63 million, mainly due to a decrease in cost of hedging reserve. This resulted preliminary from the market value of the derivatives for hedging the U.S. dollar-denominated loans for financing the Varian acquisition. Currency translation differences had an offsetting influence. Since the IPO (initial public offering) in fiscal year 2018, Siemens Healthineers has offered share-based payment programs based on Siemens Healthineers AG shares. Since fiscal year 2021, these programs have been increasingly fulfilled. The associated increased purchase of treasury shares reduced equity by €123 million.

For further details regarding equity, especially the development of treasury shares, please see ➔ ***Note 3 Equity*** in the notes to the half-year consolidated financial statements.

A.4.2 Cash flows

(in millions of €)	2021	First half 2020
Cash flows from:		
Operating activities	1,316	572
Investing activities	–328	–1,597
Financing activities	–1,073	962

Operating activities

Cash inflows from operating activities grew by €744 million to €1,316 million, chiefly due to positive net income development and improved cash conversion from operating activities. Therein, in particular, the following effects had an impact.

Change in other assets and liabilities led to by €363 million increased release of funds. This mainly related to the payout and development of performance-related remuneration components.

In operating net working capital, a reduced build-up of inventories compared to prior year improved cash flows from operating activities by €268 million. This development resulted from the increased build-up of inventories in prior year to ensure the delivery capability of all segments at the onset of COVID-19 pandemic. The rise in business volume led to increases in the remaining line items of operating net working capital, essentially offsetting each other.

In addition, cash outflows from income taxes paid increased by €138 million, mainly due to tax payments for prior years in Germany.

Investing activities

Cash flows from investing activities decreased by €1,269 million to cash outflows of €328 million. This was primarily the result of a €1,314 million decrease in cash outflows for acquisitions of businesses, net of cash acquired. In prior year, these outflows chiefly related to the acquisitions of Corindus and ECG Management Consultants.

Financing activities

In the current fiscal year, cash outflows from financing activities amounted to €1,073 million, whereas in prior year there were cash inflows of €962 million.

In the current fiscal year, an increase of €700 million in free cash flow was invested with the Siemens Group as part of the cash pooling, which led to a corresponding increase in cash outflows in the line item other transactions/financing with the Siemens Group. In addition, higher cash outflows resulted from a €96 million increased purchase of treasury shares for the above-mentioned fulfillment of share-based payment programs and from a €58 million increase in dividends paid to shareholders of Siemens Healthineers AG. In prior year, cash inflows resulted from borrowing a loan of €1.0 billion from the Siemens Group in connection with the acquisition of Corindus.

The financing transactions for the acquisition of Varian had no material net effect on cash flows from financing activities. Cash inflows of €2,315 million resulted from the issuance of new shares. The investment of the funds received with the Siemens Group resulted in cash outflows in the line item other transactions/financing with the Siemens Group in the corresponding amount. The impact of borrowing loans of US$10.0 billion from the Siemens Group in connection with the acquisition of Varian was reversed with its short-term investment with the Siemens Group.

Free cash flow

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

(in millions of €)	2021	First half 2020
Cash flows from operating activities	**1,316**	572
Additions to intangible assets and property, plant and equipment	–289	–245
Free cash flow	**1,027**	327

A.5 Outlook

Expected market development

The COVID-19 pandemic remains volatile and dynamic, especially as long as further waves, the availability of vaccines, and respective government reactions and measures remain in discussion. Given this prolonged unpredictability, the usual and historic development patterns of Siemens Healthineers' markets may not be appropriate as a basis for forecasting purposes this year. Therefore, at this point in time it is challenging to reliably estimate the impact of COVID-19 on our addressed markets and therefore the expected developments of these markets.

The pandemic has exposed the fragility of healthcare systems and the need to invest in improving their resilience. Significant government funding is expected to become available in the EMEA region in the coming months, opening up new market opportunities.

With the acquisition of Varian, radiation oncology is now part of the outlook. In radiation oncology, given the criticality of the modality, we expect improvement in the equipment market over our fiscal year 2021, assuming the impact of COVID-19 continues to decrease.

Consistent with the estimates in the annual report 2020 and based on ongoing evaluations of the impact of the COVID-19 pandemic, the Imaging equipment market is expected to recover within fiscal year 2021.

For the Advanced Therapies market we expect the first steps of market recovery in the second half of fiscal year 2021.

Determining factors for future development of the diagnostics market include the pace of vaccination for SARS-CoV-2, the emergence of further virus variants as well as, future waves of COVID-19 infection on the one hand, and potential pent-up demand for routine care on the other hand and associated diagnostic tests. Globally, SARS-CoV-2 tests, and in particular COVID-19 antigen rapid tests, will drive strong growth in the diagnostics market in fiscal year 2021. Moreover, the demand for routine care testing is expected to recover in the second half of fiscal year 2021, leading to significant growth in this market.

Business development

As a result of the very strong revenue development in the second quarter, ongoing pandemic-related demand and higher confidence in the normalization of the business development, as well as the closing of the Varian acquisition, we again raise our outlook for fiscal year 2021.

We expect comparable revenue growth between 14% and 17% from fiscal year 2020 (previously 8% to 12% in the outlook from the first quarter of fiscal year 2021 (hereinafter "Q1 2021") and 5% to 8% in the annual report 2020). We expect adjusted basic earnings per share (adjusted for expenses for portfolio-related measures, and severance charges, net of tax) to be between €1.90 and €2.05 (previously €1.63 to €1.82 in the outlook from Q1 2021; and €1.58 to €1.72 in the annual report 2020; comparable prior-year figure: €1.61).

In the Imaging segment, we expect comparable revenue growth of more than 8% in fiscal year 2021 (previously at least 7% in the outlook from Q1 2021 and at least 5% in the annual report 2020), hence above the previous year. We continue to expect an increase in adjusted EBIT margin of around 100 basis points compared to the prior year.

In the Diagnostics segment, we expect comparable revenue growth of more than 25% in fiscal year 2021 (previously at least mid-teens in the outlook from Q1 2021 and mid- to high-single digit in the annual report 2020). The outlook is based on the assumption that the segment will generate around €750 million revenue from rapid COVID-19 antigen tests (previously €300 million to €350 million in the outlook from Q1 2021 and at least €100 million in the annual report 2020). It is expected that the adjusted EBIT margin will recover to more than 10% (previously more than 7% in the outlook of Q1 2021 and more than 5% in the annual report 2020), clearly above the prior-year level.

In the Varian segment, we expect adjusted revenue between €1.2 billion and €1.4 billion as well as an adjusted EBIT margin between 12% and 14% for the second half of fiscal year 2021. The revenue development of Varian is not reflected in the comparable revenue growth of Siemens Healthineers as portfolio effects are excluded in the first year after closing of the acquisition.

In the Advanced Therapies segment, we expect comparable revenue growth of more than 7% in fiscal year 2021 (previously at least 6% in the outlook of Q1 2021 and at least 5% in the annual report 2020), hence above the prior-year level. We continue to expect the adjusted EBIT margin to develop well compared to the industry overall.

The outlook is based on the following assumptions: Given the current dynamic of the pandemic, we assume that pandemic-related demand will not persist to the same extent beyond the fiscal year 2021. Additionally, we expect higher demand in the core business of our segments compared to the previous outlook from Q1 2021 as well as revenue and earnings contributions from Varian Medical Systems, Inc. following the successfully completed closing of the acquisition in April 2021. Estimates for the revenue and margin range include uncertainties associated with Varian regarding the harmonization of accounting methods for revenue recognition. Due to the second capital increase in March 2021, the weighted average number of outstanding shares for the fiscal year 2021 increased to 1.1 billion.

The following assumptions of the previous outlook from Q1 2021 remain unchanged: The expectation that current and potential future measures to bring the COVID-19 pandemic under control will not negatively impact the demand for our products and services. The outlook is based on current exchange rate assumptions. In addition, it is assumed that there will be no material change in the valuation of share-based compensation programs that are tied to shares of Siemens AG. The outlook also excludes charges related to legal and regulatory matters.

A.6 Risks and opportunities

In our annual report for fiscal year 2020 we described certain risks which could have a material adverse effect on our business situation, net asset and financial position (including effects on cash flows), results of operations and reputation. In addition, we described our significant opportunities as well as the design of our risk management system.

During the reporting period, we identified no further significant risks and opportunities besides those presented in our annual report for fiscal year 2020.

Varian remained responsible for managing its risks during the reporting period. With the closing of the acquisition in April 2021 the risk landscape of Varian will be evaluated and taken into account in our risk management process in the course of the second half of the fiscal year. Thus, Varian's risks will become part of Siemens Healthineers' risk management and reporting. Based on the risks identified by Varian until closing of the acquisition and its preliminary analysis, we do not expect substantial changes to our existing risk structure. Risks which were related to the failure of the transaction are no longer applicable.

Vaccination efforts around the world as well as improved preparedness and adaptation to the current situation reduced our risk from the COVID-19 pandemic in the reporting period. Nonetheless, the risk of considerable adverse effects remains high, and we continue to observe developments in order to quickly identify changes and make adjustments where necessary. Besides that, the risk associated with cybersecurity increased slightly, making it now our most significant risk, for example due to the increasing cyber-attacks on healthcare providers and the continued high number of employees working from home.

Thus, the most significant risks compared to our 2020 annual report now include cybersecurity, the legal and regulatory environment and risks associated with pension obligations.

Additional risks and opportunities not known to us or that we currently consider immaterial could also affect our business operations. At present, no risks have been identified that in their known form either individually or in combination with other risks could endanger our ability to continue as a going concern. Please take note of ➔ ***C.3 Notes and forward-looking statements***.

B. Half-year consolidated financial statements

B.1 Consolidated statements of income

(in millions of €, earnings per share in €)	Note	First half 2021	First half 2020
Revenue		7,833	7,272
Cost of sales		–4,761	–4,404
Gross profit		**3,073**	**2,869**
Research and development expenses		–660	–673
Selling and general administrative expenses		–1,118	–1,186
Other operating income		2	12
Other operating expenses		–18	–13
Income from investments accounted for using the equity method, net		1	3
Earnings before interest and taxes		**1,278**	**1,011**
Interest income		11	37
Interest expenses	7	–35	–40
Other financial income, net		–31	–7
Income before income taxes		**1,223**	**1,001**
Income tax expenses		–338	–282
Net income		**885**	**719**
Thereof attributable to:			
Non-controlling interests		10	6
Shareholders of Siemens Healthineers AG		875	712
Basic earnings per share		**0.81**	**0.71**
Diluted earnings per share		**0.81**	**0.71**

B.2 Consolidated statements of comprehensive income

(in millions of €)	First half 2021	First half 2020
Net income	**885**	719
Remeasurements of defined benefit plans	89	22
Therein: Income tax effects	–24	–24
Other comprehensive income that will not be reclassified to profit or loss	**89**	**22**
Currency translation differences	63	–151
Cash flow hedges	14	24
Therein: Income tax effects	–9	–8
Cost/Income from hedging	–139	112
Therein: Income tax effects	49	–40
Other comprehensive income that may be reclassified subsequently to profit or loss	**–62**	**–15**
Other comprehensive income, net of taxes	**27**	**7**
Comprehensive income	**912**	**726**
Thereof attributable to:		
Non-controlling interests	11	5
Shareholders of Siemens Healthineers AG	901	721

B.3 Consolidated statements of financial position

(in millions of €)	Note	Mar 31, 2021	Sept 30, 2020
Cash and cash equivalents	4	559	656
Trade and other receivables	4	2,794	2,568
Other current financial assets	4	101	142
Current receivables from the Siemens Group	4, 7	14,632	3,392
Contract assets		787	818
Inventories		2,425	2,304
Current income tax assets		28	49
Other current assets		358	338
Total current assets		**21,685**	**10,268**
Goodwill		9,061	9,038
Other intangible assets		1,882	1,912
Property, plant and equipment		2,885	2,774
Investments accounted for using the equity method		37	37
Other financial assets	4	429	352
Deferred tax assets		459	419
Other assets		339	295
Total non-current assets		**15,091**	**14,827**
Total assets		**36,776**	**25,094**
Short-term financial debt and current maturities of long-term financial debt	4	223	167
Trade payables	4	1,483	1,356
Other current financial liabilities	4	154	93
Current liabilities to the Siemens Group	4, 7	2,632	2,046
Contract liabilities		1,981	1,784
Current provisions		287	270
Current income tax liabilities		283	374
Other current liabilities		1,313	1,198
Total current liabilities		**8,356**	**7,289**
Long-term financial debt	4	265	314
Provisions for pensions and similar obligations		937	1,029
Deferred tax liabilities		467	470
Provisions		135	144
Other financial liabilities	4	38	10
Other liabilities		348	345
Liabilities to the Siemens Group	4, 7	11,462	2,982
Total non-current liabilities		**13,650**	**5,294**
Total liabilities		**22,006**	**12,584**
Issued capital		1,128	1,075
Capital reserve		15,777	13,476
Retained earnings		–1,180	–1,276
Other components of equity		–804	–741
Treasury shares		–159	–36
Total equity attributable to shareholders of Siemens Healthineers AG		**14,762**	**12,498**
Non-controlling interests		8	13
Total equity	3	**14,770**	**12,511**
Total liabilities and equity		**36,776**	**25,094**

B.4 Consolidated statements of cash flows

(in millions of €)	First half 2021	First half 2020
Net income	885	719
Adjustments to reconcile net income to cash flows from operating activities:		
Amortization, depreciation and impairments	408	391
Income tax expenses	338	282
Interest income/expenses, net	24	3
Income related to investing activities	1	–1
Other non-cash income/expenses, net	41	74
Change in operating net working capital		
Contract assets	44	62
Inventories	–74	–342
Trade and other receivables	–201	17
Receivables from and payables to the Siemens Group from operating activities	4	3
Trade payables	116	–15
Contract liabilities	164	70
Change in other assets and liabilities	76	–286
Additions to equipment leased to others in operating leases	–125	–142
Income taxes paid	–416	–278
Dividends received	-	1
Interest received	31	14
Cash flows from operating activities	**1,316**	**572**
Additions to intangible assets and property, plant and equipment	–289	–245
Purchase of investments and financial assets for investment purposes	–6	–5
Acquisitions of businesses, net of cash acquired	–35	–1,349
Disposal of investments, intangible assets and property, plant and equipment	2	2
Cash flows from investing activities	**–328**	**–1,597**
Purchase of treasury shares	–163	–67
Issuance of new shares	2,315	-
Re-issuance of treasury shares (and other transactions with owners)	2	-
Repayment of long-term debt (including current maturities of long-term debt)	–61	–60
Change in short-term financial debt and other financing activities	4	46
Interest paid	–8	–8
Dividends paid to shareholders of Siemens Healthineers AG	–856	–798
Dividends paid to non-controlling interests	–17	–15
Interest paid to the Siemens Group	–62	–54
Other transactions/financing with the Siemens Group	–2,226	1,919
Cash flows from financing activities	**–1,073**	**962**
Effect of changes in exchange rates on cash and cash equivalents	–13	–12
Change in cash and cash equivalents	–97	–75
Cash and cash equivalents at beginning of period	**656**	**920**
Cash and cash equivalents at end of period	**559**	**845**

B.5 Consolidated statements of changes in equity

				Other components of equity							
(in millions of €)	Issued capital	Capital reserve	Retained earnings	Currency translation differences	Reserve of equity instruments measured at fair value through other comprehensive income	Cash flow hedges reserve	Cost of hedging reserve	Treasury shares at cost	Total equity attributable to shareholders of Siemens Healthineers AG	Non-controlling interests	Total equity
Balance as of October 1, 2019	**1,000**	**10,801**	**–1,859**	**–95**	**–33**	**–24**	**3**	**–24**	**9,769**	**13**	**9,782**
Net income	-	-	712	-	-	-	-	-	712	6	719
Other comprehensive income, net of taxes	-	-	22	–150	-	24	112	-	8	–1	7
Dividends	-	-	–798	-	-	-	-	-	–798	–15	–814
Share-based payment	-	21	-	-	-	-	-	-	21	-	21
Purchase of treasury shares	-	-	-	-	-	-	-	–64	–64	-	–64
Reissuance of treasury shares	-	1	–1	-	-	-	-	33	33	-	33
Other changes in equity	-	-	–66	-	-	-	-	-	–66	3	–63
Balance as of March 31, 2020	**1,000**	**10,823**	**–1,989**	**–245**	**–33**	**1**	**115**	**–55**	**9,616**	**5**	**9,621**
Balance as of October 1, 2020	**1,075**	**13,476**	**–1,276**	**–862**	**–33**	**37**	**117**	**–36**	**12,498**	**13**	**12,511**
Net income	-	-	875	-	-	-	-	-	875	10	885
Other comprehensive income, net of taxes	-	-	89	62	-	14	–139	-	26	1	27
Dividends	-	-	–856	-	-	-	-	-	–856	–17	–873
Share-based payment	-	23	-	-	-	-	-	-	23	-	23
Purchase of treasury shares	-	-	-	-	-	-	-	–161	–161	-	–161
Reissuance of treasury shares	-	3	-	-	-	-	-	38	41	-	41
Issuance of new shares	53	2,275	-	-	-	-	-	-	2,328	-	2,328
Other changes in equity	-	-	–12	-	-	-	-	-	–12	1	–11
Balance as of March 31, 2021	**1,128**	**15,777**	**–1,180**	**–800**	**–33**	**51**	**–22**	**–159**	**14,762**	**8**	**14,770**

B.6 Notes to half-year consolidated financial statements

Note 1 Basis of presentation

The condensed half-year consolidated financial statements as of March 31, 2021, present the operations of Siemens Healthineers AG and its subsidiaries (hereinafter, collectively, "Group" or "Siemens Healthineers"). The half-year consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), in particular in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. The half-year consolidated financial statements were prepared and published in euros (€). Due to rounding, numbers may not add up precisely to the totals provided.

The results achieved in the interim reporting period are not necessarily indicative of the development of future business performance. The COVID-19 pandemic and associated significant uncertainties have been considered, where relevant, in accounting estimates and judgments. In the first half of fiscal year 2021, the COVID-19 pandemic did not lead to material adjustments of the carrying amounts of recognized assets and liabilities and there is currently no significant risk that the COVID-19 pandemic will lead to material adjustments in the second half of fiscal year 2021. For further information on impacts from the COVID-19 pandemic, on disaggregation of revenue and on segment information, see disclosures in the interim group management report.

The half-year consolidated financial statements are unaudited. They were authorized for issue by the Managing Board of Siemens Healthineers AG on April 28, 2021.

Note 2 Accounting policies

The accounting policies applied for the preparation of the half-year consolidated financial statements are consistent with those accounting policies applied for the preparation of the consolidated financial statements for fiscal year 2020. Income tax expenses are determined in interim reporting periods on the basis of the current estimated annual effective tax rate of Siemens Healthineers for the overall year.

Change in presentation

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

Consolidated statements of cash flows: Siemens Healthineers added a new line to the presentation of the consolidated statements of cash flows to show repayments of lease liabilities, which are recognized under the right-of-use model, in the new line item repayment of long-term debt (including current maturities of long-term debt). This provides more relevant information with regard to the cash flow effects of leases, which are recognized under the right-of-use model. Previously, the repayments of lease liabilities were included in the line item change in short-term financial debt and other financing activities. The prior-year amounts have been reclassified accordingly for reasons of better comparability. Therefore, €60 million were reclassified from the line item change in short-term financial debt and other financing activities into the line item repayment of long-term debt (including current maturities of long-term debt).

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

Note 3 Equity

Resolutions of the Shareholders' Meeting 2021

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

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

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

Capital increase in March 2021

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

Further disclosures

Issued capital: As of March 31, 2021, the issued capital of Siemens Healthineers AG was divided into 1,128,000,000 (September 30, 2020: 1,075,000,000) ordinary registered shares with no par value and a notional value of €1.00 per share. The shares are fully paid in. Each share has one vote and accounts for the shareholder's proportionate share in the net income. All shares confer the same rights and obligations.

Authorized capital: As of March 31, 2021, the authorized capital of Siemens Healthineers AG was €484.5 million (September 30, 2020: €425 million) and its conditional capital was €107.5 million (September 30, 2020: €100 million).

Capital reserve: In the first half of fiscal year 2021, changes in the capital reserve resulted mainly from the capital increase against cash contributions described above. Furthermore, effects from transaction costs related to the capital increase of €24 million were recognized.

Treasury shares: In the first half of fiscal year 2021, Siemens Healthineers repurchased 4,067,889 (first half of fiscal year 2020: 1,550,474) shares utilizing the authorization granted by the extraordinary Shareholders' Meeting held on February 19, 2018, and transferred 971,827 (first half of fiscal year 2020: 844,309) treasury shares in conjunction with share-based payment plans.

Dividends: In the second quarter of fiscal year 2021, a dividend of €0.80 per share was paid.

Note 4 Financial instruments

The following tables show the carrying amounts and measurement details of each category of financial assets and liabilities according to IFRS 9, Financial Instruments:

							Carrying amounts as of Mar 31, 2021
		In scope of IFRS 9					
			Measured at fair value				
(in millions of €)	Category of financial assets and liabilities (IFRS 9)[1]	Measured at amortized cost	Level 1	Level 2	Level 3	Not in scope of IFRS 9	Total
Cash and cash equivalents	AC	559	-	-	-	-	559
Trade receivables[2]	AC	2,747	-	-	-	-	2,747
Receivables from finance leases[3]	n.a.	-	-	-	-	237	237
Current receivables from the Siemens Group	AC	14,632	-	-	-	-	14,632
Other current and non-current financial assets[2]							
Derivatives included in hedge accounting	n.a.	-	-	154	-	-	154
Derivatives not included in hedge accounting	FVtPL	-	-	21	-	-	21
Equity instruments and fund shares measured at fair value through profit or loss	FVtPL	-	12	4	17	-	33
Equity instruments measured at fair value through other comprehensive income	FVtOCI	-	-	-	42	-	42
Other	AC	91	-	-	-	-	91
Total financial assets		**18,029**	**12**	**179**	**59**	**237**	**18,516**
Short-term and current maturities of long-term financial debt as well as long-term financial debt[4]	AC	112	-	-	-	-	112
Trade payables	AC	1,483	-	-	-	-	1,483
Lease liabilities[5]	n.a.	-	-	-	-	457	457
Current and non-current liabilities to the Siemens Group[4]	AC	14,013	-	-	-	-	14,013
Other current and non-current financial liabilities							
Derivatives included in hedge accounting	n.a.	-	-	70	28	-	97
Derivatives not included in hedge accounting	FVtPL	-	-	13	-	-	13
Contingent considerations from business combinations	FVtPL	-	-	-	7	-	7
Liabilities from written put options on non-controlling interests	n.a.	-	-	-	-	32	32
Other	AC	42	-	-	-	-	42
Total financial liabilities		**15,650**	**-**	**83**	**35**	**489**	**16,256**

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

(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				Carrying amounts as of Sept 30, 2020
			Level 1	Level 2	Level 3		
Cash and cash equivalents	AC	656	-	-	-	-	656
Trade receivables[2]	AC	2,520	-	-	-	-	2,520
Receivables from finance leases[3]	n.a.	-	-	-	-	210	210
Current receivables from the Siemens Group	AC	3,392	-	-	-	-	3,392
Other current and non-current financial assets[2]							
Derivatives included in hedge accounting	n.a.	-	-	129	25	-	154
Derivatives not included in hedge accounting	FVtPL	-	-	21	-	-	21
Equity instruments and fund shares measured at fair value through profit or loss	FVtPL	-	13	9	11	-	33
Equity instruments measured at fair value through other comprehensive income	FVtOCI	-	-	-	42	-	42
Other	AC	81	-	-	-	-	81
Total financial assets		**6,650**	**13**	**160**	**78**	**210**	**7,111**
Short-term and current maturities of long-term financial debt as well as long-term financial debt[4]	AC	109	-	-	-	-	109
Trade payables	AC	1,356	-	-	-	-	1,356
Lease liabilities[5]	n.a.	-	-	-	-	458	458
Current and non-current liabilities to the Siemens Group[4]	AC	4,942	-	-	-	-	4,942
Other current and non-current financial liabilities							
Derivatives included in hedge accounting	n.a.	-	-	5	-	-	5
Derivatives not included in hedge accounting	FVtPL	-	-	17	-	-	17
Contingent considerations from business combinations	FVtPL	-	-	-	7	-	7
Liabilities from written put options on non-controlling interests	n.a.	-	-	-	-	31	31
Other	AC	45	-	-	-	-	45
Total financial liabilities		**6,452**	**-**	**21**	**7**	**489**	**6,969**

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

The carrying amount of liabilities to the Siemens Group from U.S. dollar-denominated long-term loans was €11,408 million as of March 31, 2021 (September 30, 2020: €2,923 million). The fair value of these liabilities, which is based on prices provided by price service agencies (level 2), amounted to €11,376 million as of March 31, 2021 (September 30, 2020: €3,173 million). The carrying amounts of the remaining financial assets and liabilities measured at amortized cost approximated their fair value.

The determination of the fair values of derivatives depended on the specific type of instrument. The fair values of forward exchange contracts and foreign exchange swaps were based on forward exchange rates (level 2). Options were generally valued based on market prices or based on option pricing models (level 2). In connection with the acquisition of Varian Medical Systems, Inc. (hereinafter "Varian"), Siemens Healthineers entered into a deal contingent forward with a nominal amount of €7,500 million, which was linked to the actual closing of the acquisition. 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). As of March 31, 2021, closing was still deemed highly probable. In the first half of fiscal year 2021, the changes in the fair value of the deal contingent forward amounted to €–52 million and were recognized in the line item cash flow hedges within other comprehensive income.

Except for publicly listed investments for which a quoted price in an active market exists (level 1), the fair values of equity instruments were derived primarily from a discounted cash flow valuation (level 3). Expected cash flows are subject to future market and business developments as well as price volatility. The discount rates applied take into account respective risk-adjusted capital costs. The fair value measurement of fund shares was based on their net asset values (level 2).

The fair values of contingent considerations from business combinations were derived from probability-weighted future payments, which mainly depend on the achievement of technical and commercial milestones as well as on the achievement of revenue targets during the earn-out period (level 3). If the estimated revenues or probabilities of completing certain milestones increase or decrease during the respective earn-out period, the fair value of the contingent consideration would increase or decrease, respectively.

Liabilities from written put options on non-controlling interests were measured at fair value, which is based on the present value of the exercise price of the options (level 3). The exercise price is generally derived from the proportionate enterprise value. In the first half of fiscal year 2020, liabilities increased mainly due to the addition of written put options amounting to €58 million in connection with the acquisition of 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.

The following table shows the composition of Siemens Healthineers' financial debt:

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Short-term financial debt and current maturities of long-term financial debt	223	167
Thereof:		
Loans from banks	111	60
Lease liabilities	112	107
Current liabilities to the Siemens Group from financing activities	2,624	2,040
Therein: Lease liabilities	26	27
Total current financial debt	**2,847**	**2,207**
Long-term financial debt	265	314
Thereof:		
Loans from banks	-	49
Lease liabilities	265	265
Liabilities to the Siemens Group from financing activities	11,462	2,982
Therein: Lease liabilities	54	59
Total non-current financial debt	**11,727**	**3,297**
Total financial debt	**14,574**	**5,503**

The increase in financial debt resulted mainly from agreements to finance the purchase price and additional costs in connection with the acquisition of Varian (please also see ➔ ***Note 8 Subsequent events***). In the first half of fiscal year 2021, the Siemens Group provided loans denominated in U.S. dollars with various maturities. As of March 31, 2021, the loan structure was as follows:

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

The resulting foreign currency risks were hedged by forward exchange contracts and by foreign exchange swaps. As a result, the loans 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. In total, the actual current volume-weighted average interest rate of the loans amounts to approximately 0.3%.

As a result of those financing transactions, Siemens Healthineers held significant U.S. dollar-denominated cash-pooling receivables as of March 31, 2021. Thereof, receivables amounting to US$7.7 billion were designated as hedging instruments to hedge exchange rate risks resulting from the highly probable purchase price payment in U.S. dollars.

Furthermore, 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. As of March 31, 2021, this financing commitment was not utilized by Siemens Healthineers and was canceled in full. The 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 the first half of fiscal year 2021. In the first half of fiscal year 2021, the Siemens Group committed itself to provide Siemens Healthineers an additional financing of €1.1 billion in case of the closing of the acquisition of Varian.

Note 5 Share-based payment

In the first half of fiscal year 2021, Siemens Healthineers granted a total of 1,434,187 (first half of fiscal year 2020: 1,139,879) Siemens Healthineers' stock awards to members of the Managing Board, members of senior management and other eligible employees. As in prior year, a portion of the Siemens Healthineers' stock awards granted to members of senior management and other eligible employees continues to depend solely on fulfillment of the employee's respective service condition. In addition, for the first time, Siemens Healthineers' stock awards granted to members of the Managing Board, eligible members of senior management and other eligible employees are linked to the development of the total shareholder return as compared to two equally weighted external indices and to internal sustainability targets.

Note 6 Segment information

	Adjusted external revenue[1]		Intersegment revenue		Total adjusted revenue[1]		Adjusted EBIT[2]		Assets[3]		Free cash flow		Additions to other intangible assets and property, plant and equipment		Amortization, depreciation and impairments	
(in millions of €)	2021	First half 2020	2021	First half 2020	2021	First half 2020	2021	First half 2020	Mar 31, 2021	Sept 30, 2020	2021	First half 2020	2021	First half 2020	2021	First half 2020
Imaging	4,549	4,379	139	151	4,687	4,530	1,041	917	6,963	7,045	1,186	679	69	217	83	79
Diagnostics	2,420	2,018	-	-	2,420	2,018	268	97	5,191	5,179	163	–122	231	259	157	128
Advanced Therapies	818	823	2	2	820	825	136	161	1,973	1,934	112	44	8	316	9	9
Total segments	**7,787**	7,219	**141**	153	**7,927**	7,372	**1,444**	1,175	**14,127**	14,158	**1,461**	601	**308**	793	**249**	217
Reconciliation to consolidated financial statements[4]	46	53	–141	–153	–94	–100	–222	–174	22,649	10,936	–434	–274	189	103	158	175
Siemens Healthineers	**7,833**	7,272	-	-	**7,833**	7,272	**1,223**	1,001	**36,776**	25,094	**1,027**	327	**497**	896	**408**	391

[1] Siemens Healthineers: IFRS revenue.
[2] Siemens Healthineers: Income before income taxes. Adjusted EBIT first half 2020 on segment level adjusted in line with updated definition of adjusted EBIT.
[3] On segment level: net capital employed.
[4] Including effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations.

Accounting policies for segment information are generally the same as those described in the annual report for fiscal year 2020.

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

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

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.

Siemens Healthineers' revenue included revenue from contracts with customers and income from leases. In the first half of fiscal year 2021, income from leases amounted to €170 million (first half of fiscal year 2020: €156 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.

Adjusted EBIT

(in millions of €)	2021	First half 2020
Total segments' adjusted EBIT	**1,444**	1,175
Centrally carried pension service and administration expenses	–7	–9
Amortization, depreciation and other effects from IFRS 3 purchase price allocation adjustments	–66	–87
Transaction, integration, retention and carve-out costs	–23	–19
Severance charges	–37	–34
Financial income, net	–56	–10
Corporate items	–36	–26
Corporate treasury, Siemens Healthineers Real Estate, eliminations and other items	3	12
Total reconciliation to consolidated financial statements	**–222**	–174
Siemens Healthineers' income before income taxes	**1,223**	1,001

Assets

(in millions of €)	Mar 31, 2021	Sept 30, 2020
Total segments' assets	**14,127**	**14,158**
Asset-based adjustments	16,945	5,770
Therein:		
Assets corporate treasury	644	739
Assets Siemens Healthineers Real Estate	1,022	945
Receivables from the Siemens Group from non-operating activities	14,629	3,387
Current income tax assets and deferred tax assets	487	468
Liability-based adjustments	5,704	5,167
Total reconciliation to consolidated financial statements	**22,649**	**10,936**
Siemens Healthineers' total assets	**36,776**	**25,094**

Free cash flow

(in millions of €)	2021	First half 2020
Total segments' free cash flow	**1,461**	601
Tax-related cash flow	–416	–278
Corporate items and other	–18	4
Total reconciliation to consolidated financial statements	**–434**	–274
Siemens Healthineers' free cash flow	**1,027**	327

Note 7 Related party transactions

The following presents the relationships Siemens Healthineers' maintained with the Siemens Group, that is the Siemens AG and its subsidiaries.

Transactions with the Siemens Group

Sales of goods and services and other income and purchases of goods and services and other expenses from transactions with the Siemens Group are shown in the following table:

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
(in millions of €)	2021	First half 2020	2021	First half 2020
Siemens AG	2	2	124	125
Other Siemens Group entities	135	161	127	110
Total	**138**	163	**251**	235

In the first half of fiscal year 2021, Siemens Healthineers obtained support from the Siemens Group for central corporate services resulting in expenses of €116 million (first half of fiscal year 2020: €161 million). Further, there existed leasing transactions with the Siemens Group, mainly for real estate. As of March 31, 2021, total lease liabilities amounted to €81 million (September 30, 2020: €86 million).

Receivables from and liabilities to the Siemens Group

Receivables from and liabilities to the Siemens Group were as follows:

	Current receivables from the Siemens Group		Current liabilities and liabilities to the Siemens Group	
(in millions of €)	Mar 31, 2021	Sept 30, 2020	Mar 31, 2021	Sept 30, 2020
Siemens AG	13,739	2,720	1,869	1,346
Other Siemens Group entities	893	672	12,224	3,683
Total	**14,632**	3,392	**14,094**	5,028

Siemens Healthineers was included in the cash pooling and cash management of the Siemens Group. Thereby, Siemens Healthineers invested excess liquidity in the short term and was granted overdraft facilities for financing its operating activities. In the first half of fiscal year 2021, receivables from and liabilities to the Siemens Group changed further, in particular, due to the dividend payout and in consequence of financing activities described below:

- The liabilities to other Siemens Group entities increased mainly due to an additional financing of US$10.0 billion in total for the acquisition of Varian.
- The receivables from the Siemens AG increased mainly due to the short-term investment of this additional financing and the short-term investment of liquid funds from the capital increase in March 2021.

Further, the Siemens Group provided an additional financing commitment in the amount of €1.1 billion. As of March 31, 2021, the bridge facility, provided by the Siemens Group for the acquisition of Varian, was fully canceled.

In the first half of fiscal year 2021, interest expenses from financing arrangements with the Siemens Group amounted to €21 million (first half of fiscal year 2020: €24 million). This included positive effects from the currency hedging of the U.S. dollar-denominated loans mentioned above and from a restructuring of non-current financial liabilities to the Siemens Group in fiscal year 2019. Further, in the first half of fiscal year 2021, expenses related to the bridge facility incurred in a total amount of €28 million.

For further information on the financing arrangements with the Siemens Group and resulting interest expenses and income, please refer to ➔ ***Note 4 Financial instruments***.

Hedging with the Siemens Group

As of March 31, 2021, other current and other non-current financial assets resulting from hedging activities with the Siemens Group as counterparty amounted to €155 million (September 30, 2020: €154 million). This included other financial assets amounting to €56 million related to the hedging of the financing of the acquisition of Varian, which is denoted in foreign currency. As of March 31, 2021, other current and other non-current financial liabilities from hedging activities amounted to €103 million (September 30, 2020: €10 million). This included other current financial liabilities amounting to €28 million (September 30, 2020: other current financial assets in an amount of €25 million) related to a deal contingent forward, which was agreed with the Siemens Group to hedge the purchase price payment for the acquisition of Varian.

Note 8 Subsequent events

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

The purchase price paid in cash amounted to US$16.4 billion (€13.9 billion as of the acquisition date). Due to the proximity of the closing of the acquisition to the date this report was authorized for issue, the preparation process of the purchase price allocation (including goodwill allocation to cash-generating units or groups of cash-generating units) according to IFRS 3, Business Combinations, is at a very early stage. It is expected that the major part of the purchase price will be allocated to intangible assets and goodwill. Resulting intangible assets will mainly relate to technologies for Varian's oncology solutions. Goodwill will comprise intangible assets that are not separable such as employee know-how and expected synergy effects. Synergies from the acquisition are mainly expected from broader regional coverage of the sales network, cross-selling opportunities into existing customer base and from expanded integrated service offerings (e.g. "Oncology-as-a-Service" program) and value partnerships, as well as joint product innovation. Besides, cost synergies, resulting from the merger of the two businesses, are expected in the administrative field and related to procurement activities.

In the first half of fiscal year 2021, the Siemens Group committed itself to provide an additional financing of €1.1 billion. This was utilized by Siemens Healthineers in the amount of €850 million with the closing of the acquisition.

With the closing of the acquisition of Varian, the deal contingent forward entered into in fiscal year 2020 was settled on April 15, 2021, leading to expenses of €89 million in other financial income, net.

C. Additional information

C.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the half-year consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, April 28, 2021

Siemens Healthineers AG
The Managing Board

Dr. Bernhard Montag

Darleen Caron

Dr. Jochen Schmitz

Dr. Christoph Zindel

C.2 Review report

To Siemens Healthineers AG, Munich

We have reviewed the half-year consolidated financial statements comprising the consolidated statements of income, comprehensive income, financial position, cash flows and changes in equity, and notes to half-year consolidated financial statements, and the interim group management report, of Siemens Healthineers Aktiengesellschaft, Munich for the period from October 1, 2020 to March 31, 2021 which are part of the half-year financial report pursuant to Sec. 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The Company's management is responsible for the preparation of the half-year consolidated financial statements in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the half-year consolidated financial statements and the interim group management report based on our review.

We conducted our review of the half-year consolidated financial statements and the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (IDW - Institute of Public Auditors in Germany) and in supplementary compliance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the half-year consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as issued by the IASB and as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company's employees and analytical assessments and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

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

Munich, April 28, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Keller
Wirtschaftsprüfer
[German Public Auditor]

Dr. Eisele
Wirtschaftsprüfer
[German Public Auditor]

C.3 Notes and forward-looking statements

This document contains statements related to our future business and financial performance, the expected financial impact of the acquisition of Varian (including cost and revenue synergies) and future events or developments involving Siemens Healthineers that may constitute forward-looking statements. These statements may be identified by words such as "expect", "forecast", "anticipate", "intend", "plan", "believe", "seek", "estimate", "will", "target" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements. Such statements are based on the current expectations and certain assumptions of Siemens Healthineers' management, of which many are beyond Siemens Healthineers' control. As they relate to future events or developments, these statements are subject to various risks, uncertainties and factors, including but not limited to those described in the respective disclosures. Should one or more of these risks, uncertainties or factors materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens Healthineers may (negatively or positively) vary materially from those described explicitly or implicitly in the forward-looking statement. All forward-looking statements only speak as of the date when they were made and Siemens Healthineers neither intends nor assumes any obligation, unless required by law, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures may have limitations as analytical tools and should not be viewed in isolation or as alternatives to measures of Siemens Healthineers' net assets, financial position and results of operations as presented in accordance with the applicable financial reporting framework. Other companies that report or describe similarly titled alternative performance measures may calculate them differently, which may therefore not be comparable.

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.

For reasons of better readability, the male form is predominantly chosen in this Half-Year Financial Report. The information refers nevertheless to persons of any gender.

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