

Siemens Healthineers AG **Annual Financial** **Statements**

for the short fiscal year
from December 1, 2017 to September 30, 2018

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Combined Management Report

The Management Report of Siemens Healthineers AG has been combined with the Management Report of the Siemens Healthineers Group in accordance with Section 315 para. 5 together with Section 298 para. 2 of the German Commercial Code (*Handelsgesetzbuch*) and is published in the 2018 Annual Report of the Siemens Healthineers Group.

The Annual Financial Statements for the fiscal year 2018 and the Combined Management Report of Siemens Healthineers AG are filed with the operator of the electronic version of the German Federal Gazette and published in the electronic version of the German Federal Gazette.

The Annual Financial Statements of Siemens Healthineers AG as well as the Annual Report for the fiscal year 2018 are also available for download on the Internet at:

www.corporate.siemens-healthineers.com/investor-relations/presentations-financial-publications

Annual Financial Statements

A.1 Income Statement

(in millions of €)	Note	Short fiscal year 2018
Revenue	1	7
Cost of Sales		-7
Gross profit		0
General administrative expenses		-9
Other operating income	2	1
Other operating expenses		0
Income from operations		-8
Income from investments, net	3	472
Interest income	4	0
Interest expenses	4	-5
Other financial income (expenses), net	5	-1
Income from business activity		459
Income taxes	6	-126
Income after taxes / Net income		333
Appropriation of net income		
Net income		333
Transfer from capital reserves		390
Unappropriated net income		723

A.2 Balance Sheet

(in millions of €)	Notes	Sept 30, 2018	Dec 1, 2017
Assets			
Non-current assets	8	14,399	-
Financial assets		14,399	-
Current assets			
<i>Receivables and other assets</i>	9	566	0
Receivables from affiliated companies		479	0
Other receivables and other assets		86	-
Cash and cash equivalents		0	-
Prepaid expenses		0	-
Total assets		14,965	0
Shareholders' equity and liabilities			
Shareholders' equity	11	12,493	0
Subscribed capital		1,000	0
Treasury shares		0	-
<i>Issued capital</i>		1,000	0
Capital reserve		10,770	-
Unappropriated net income		723	-
Provisions		54	-
Provision for pensions and similar commitments	12	16	-
Other provisions	13	38	-
Liabilities	14	2,418	-
Trade payables		0	-
Liabilities to affiliated companies		2,414	-
Other liabilities		4	-
Total shareholders' equity and liabilities		14,965	0

A.3 Notes

A.3.1 General Disclosures

Siemens Healthineers AG has its registered office in Munich, Germany, where it is registered under entry number HRB 237558 with Munich Local Court.

The Company was founded in December 2017 and serves as the holding company for the Siemens Healthineers Group.

The Company's shares were admitted for trading on the Frankfurt Stock Exchange on March 16, 2018, and are traded in the Prime Standard segment of the regulated market there. Since the Company's initial public offering (IPO), the Siemens Aktiengesellschaft, Berlin and Munich, as well as its directly and indirectly controlled subsidiaries ("Siemens Group") have held an interest of approximately 85% of Siemens Healthineers AG. On June 18, 2018 the recently listed Company, which trades under the ticker symbol SHL, was included in the TecDAX under the Fast Entry rule, and on September 24, 2018 with the inception of Deutsche Börse's new index structure, it was also included in the MDAX.

The year under report was a short fiscal year covering the period from the founding of the Company on December 1, 2017, to September 30, 2018.

The Annual Financial Statements as of September 30, 2018, were prepared in accordance with Section 264 para. 1 of the German Commercial Code (Handelsgesetzbuch, HGB) in conjunction with Section 267 para. 3 and Section 264d of that Code, on the basis of the German Commercial Code's provisions for the reporting of large capital corporations, as well as under the terms of the German Stock Corporation Act (Aktiengesetz, AktG). Amounts are presented in millions of euros (€ million). Because of rounding, it is possible that some figures may not add up precisely to the presented totals.

The Income Statement was prepared using the cost of sales method.

A.3.2 Accounting policies and methods

Proceeds from management services for affiliated companies are recognized as **revenue**.

Financial assets: Financial assets acquired by contributions in kind have been recognized with their fair value at the time of the contribution in accordance with the principles for the accounting for contributions in kind. The trust assets acquired by a voluntary additional contribution have been recognized and valued in the same way. The contribution of these trust assets to Siemens Healthcare GmbH, Munich, has been valued using the book value of the contributed assets in accordance with the principle for the accounting for barter transactions. Impairment losses are recognized if the decline in value is presumed to be other than temporary. This applies when objective evidence, particularly events or changes in circumstances, indicate a significant or other than temporary decline in value.

Pensions and similar commitments: Siemens Healthineers AG measures its pension obligations using the settlement amount calculated with the actuarial projected unit credit method on

the basis of biometric probabilities. The discount rate used for discounting pension obligations corresponds to the average market interest rate for instruments with an assumed remaining maturity of 15 years as published by Deutsche Bundesbank.

Other provisions are recognized in an appropriate and sufficient amount to cover individual obligations for all identifiable risks relating to liabilities of uncertain timing and amount, taking account of price and cost increases expected to arise in the future. Significant provisions with a remaining term of more than one year are discounted using a discount rate which corresponds to the average market interest rate appropriate for the remaining term of the obligations, as calculated and published by Deutsche Bundesbank.

Foreign currency translation: Receivables, other current assets, cash and cash equivalents, provisions and liabilities as well as commitments and contingencies denominated in foreign currency are generally translated applying the mean spot exchange rate on the balance sheet date.

Deferred taxes are calculated for timing differences between commercial and tax valuations of assets, liabilities and accruals and deferrals. Any total representing a tax liability is recognized as a deferred tax liability in the Balance Sheet. In the event of a tax reduction, the associated capitalization option is not exercised, and the amount is not capitalized.

Classification of items in the Annual Financial Statements: Siemens Healthineers AG aggregates individual line items in the Income Statement and in the Balance Sheet if the individual line item is not material for providing a true and fair view of the Company's financial position and if such an aggregation improves clarity of presentation. Siemens Healthineers AG discloses these items separately in the notes.

A.3.3 Notes to the Income Statement

NOTE 1 – Revenue

Revenue results entirely from providing management services to affiliated companies, in the amount of €7 million.

Revenue is generated entirely from affiliated companies in Germany.

NOTE 2 – Other operating income and expenses

Other operating income substantially comprised reimbursements by Siemens Aktiengesellschaft, Berlin and Munich, ("Siemens AG") of €0.7 million for the costs of share-based payments awarded to Siemens Healthineers AG employees in connection with the initial public offering (IPO). The associated expenses are recognized as either functional costs or as a personnel expense. The cost reimbursement was provided on the basis of an agreement entered into on March 1, 2018, between Siemens Healthineers AG, Siemens Beteiligungsverwaltung GmbH & Co. OHG, Grünwald, Germany, and Siemens AG under which Siemens Healthineers AG was promised reimbursement of all costs reasonably necessary for the successful completion of the IPO. The bulk of the costs of the IPO were nevertheless incurred by Siemens Healthcare GmbH and were assumed by Siemens AG by deducting the costs of the IPO

from the profit transfer from Siemens Healthcare GmbH to Siemens AG as of March 31, 2018.

NOTE 3 – Income from investments

Income from investments, totaling €472 million, derived entirely from the profit and loss transfer agreement with Siemens Healthcare GmbH, and therefore solely from affiliated companies. In connection with the profit transfer from Siemens Healthcare GmbH, it should be noted that this represents the profit for the short fiscal year from April 1 to September 30, 2018. The profit of Siemens Healthcare GmbH for its short fiscal year from October 1, 2017, to March 31, 2018 was transferred to Siemens AG.

The profit and loss transfer agreement between Siemens Healthineers AG and Siemens Healthcare GmbH was entered into in February 2018 with effect from April 1, 2018, and for an indefinite duration. The agreement was entered in the Commercial Register on April 16, 2018, and may be terminated for convenience on three months' notice, but not earlier than the end of the day on September 30, 2023. It includes an obligation to assume the losses of Siemens Healthcare GmbH as provided in Section 302 of the German Stock Corporation Act as amended from time to time.

The former control and profit and loss transfer agreement between Siemens AG and Siemens Healthcare GmbH was terminated by mutual consent in a termination agreement effective March 31, 2018.

NOTE 4 – Interest income and interest expenses

Interest income pertained only to third parties and did not include negative interest. Interest expenses derived solely from the cash pool liability to Siemens Healthcare GmbH and included no positive interest from borrowings.

NOTE 5 – Other financial income (expenses), net

(in millions of €)	Short fiscal year 2018
Interest component of changes in the pension provisions	-1
Financial expenses relating to the personnel-related provisions	0
Other financial income (expenses), net	-1

Other financial income primarily included interest income of €0.5 million from the measurement of pension provisions. Both the interest component of the change in pension provisions and the financial expenses relating to personnel-related provisions constitute expenses from the discounting of provisions.

NOTE 6 – Income taxes

Income taxes include only current income taxes resulting from corporate income tax or trade tax, because the surplus of deferred tax assets was not recognized owing to the exercise

of the option under Section 274 para. 1 sentence 2 of the German Commercial Code.

NOTE 7 – Other taxes

Other taxes amounting to €31 thousand are included in the relevant functional costs.

A.3.4 Notes to the Balance Sheet

NOTE 8 – Non-current assets

(in millions of €)	Acquisition costs			Accumulated Impairment		Carrying amount		
	12/01/2017	Additions	Disposals	09/30/2018	12/01/2017	09/30/2018	09/30/2018	12/01/2017
Financial assets								
Shares in affiliated companies	-	14.399	-	14.399	-	-	14.399	-
Loans	-	0	0	0	-	-	0	-
Summary	-	14.399	0	14.399	-	-	14.399	-

Siemens Healthineers AG was founded by a notarial deed of incorporation in December 2017. In order to establish an independent Siemens Healthineers Group structure, all companies that conduct Siemens Healthineers business were bundled under Siemens Healthineers AG and its subsidiaries.

The Siemens Healthineers Group's business is conducted by Siemens Healthcare GmbH and Siemens Healthineers Beteiligungen GmbH & Co. KG, Kemnath, together with their directly and indirectly controlled subsidiaries. The shares of Siemens Healthcare GmbH and the sole limited partner's share and shares of the general partner of Siemens Healthineers Beteiligungen GmbH & Co. KG were contributed by Siemens AG or affiliated entities of Siemens AG in return for the issue of new shares of Siemens Healthineers AG. In connection with this contribution Siemens AG additionally transferred trust assets for pension obligations as voluntary additional contribution to Siemens Healthineers AG. Directly following this transfer Siemens Healthineers AG contributed these trust assets to Siemens Healthcare GmbH. After these contributions in kind Siemens Healthineers AG made a cash contribution to Siemens Healthineers Beteiligungen GmbH & Co. KG.

In the course of these transactions, additions of €14,399 million were recorded in the financial assets (shares in affiliated companies).

NOTE 9 – Receivables and other assets

All receivables and other assets at the reporting date had a remaining term of less than one year.

Receivables from affiliated companies consist only of other receivables. The receivables from affiliated companies of €50 thousand in the opening Balance Sheet represented receivables for outstanding contributions that had been called in.

NOTE 10 – Deferred tax assets

The calculation of deferred taxes yielded a surplus of deferred tax assets, which was not recognized, exercising the option under Section 274 para. 1 sentence 2 of the German Commercial Code.

A tax rate of 29.63% was applied for the measurement of deferred taxes. Deviating from this, for partnerships a tax rate of 15.83% was applied for temporary differences of assets, liabilities and prepaid/deferred items.

The taxable temporary differences result, on the one hand, from ownership interests in affiliated companies of Siemens Healthineers AG and, on the other hand, from intangible assets, ownership interests in affiliated companies, and deferrals and receivables with a remaining term of less than one year for Siemens Healthcare GmbH, the controlled company of Siemens Healthineers AG. The deductible temporary differences, up to the amount of the taxable temporary differences, result from the pension provisions of Siemens Healthineers AG and the controlled company. Additionally, there were deductible temporary differences relating primarily to other provisions of Siemens Healthineers AG and the controlled company, as well as inventories and liabilities with a remaining term of more than one year of the controlled company.

NOTE 11 – Equity

(in millions of €)	12/01/2017	Contributions in kind	Other additional contributions	Transfer from capital reserve	Share buy-backs	Issuance of treasury shares under employee share programs	Net income	09/30/2018
Subscribed capital	0	1.000	-	-	-	-	-	1.000
Treasury shares	-	-	-	-	-1	1	-	0
Issued capital	0	1.000	-	-	-1	1	-	1.000
Capital reserve	-	10.403	766	-390	-54	45	-	10.770
Unappropriated net income	-	-	-	390	-	-	333	723
Shareholders' equity	0	11.403	766	-	-55	46	333	12.493

Subscribed capital

Siemens Healthineers AG was founded on December 1, 2017, in a notarial deed of incorporation, with a founding capital stock of €50 thousand. In the course of the legal reorganization of Siemens Healthineers, it was decided at the extraordinary Shareholders' Meeting on February 2, 2018, to increase the capital stock of Siemens Healthineers AG from €50 thousand to €1.0 billion by issuing 999,950,000 new shares in return for contributions in kind from Siemens AG and affiliated companies of Siemens AG. The value of the contributions in

kind in excess of the increase in the capital stock was appropriated to the capital reserve.

As of September 30, 2018, the subscribed capital of Siemens Healthineers AG was divided into 1,000,000,000 registered shares of no par value with a notional value of €1.00 per share. The shares are fully paid in. Each share confers one vote in the Shareholders' Meeting and defines the shareholder's interest in the Company's profit after taxes. All shares carry the same rights and obligations.

Siemens Healthineers AG was first listed on an exchange on March 16, 2018, when its shares began trading on the Frankfurt Stock Exchange. A total of 150,000,000 registered shares of no par value (including overallocments), equivalent to a free float of 15%, were placed by the Siemens Group during the initial public offering. The resulting proceeds were collected by Siemens AG by way of Siemens Beteiligungsverwaltung GmbH & Co. OHG. Since the IPO, the Siemens Group has held an interest of 85% of Siemens Healthineers AG. The stock of Siemens Healthineers AG is traded in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange under the ticker symbol SHL.

Authorized capital

As of September 30, 2018, Siemens Healthineers AG had authorized capital of €500 million that may be issued in the form of a total of up to 500,000,000 new registered shares of no par value, on one or more occasions on or before February 18, 2023, in return for contributions in cash or in kind (Authorized Capital 2018).

Conditional capital

Additionally, as of September 30, 2018, Siemens Healthineers AG had conditional capital of €100 million, or 100,000,000 shares. This capital may be used to service convertible bonds or warrants from bonds with attached warrants issued on or before February 18, 2023 (Conditional Capital 2018).

Capital reserve

Additions to the capital reserve during the 2018 short fiscal year came to €11,214 million. They primarily consisted of the value of contributions in kind received in excess of the capital stock in the course of the capital increase of February 2, 2018, together with a voluntary additional contribution by Siemens AG from the contribution of trust assets for pension obligations. A further addition to the capital reserve resulted from the release of treasury stock in connection with the "My IPO Shares" employee stock plan.

In connection with setting up the Siemens Healthineers Group, during the 2018 short fiscal year trust assets for the BSAV Siemens contribution-based retirement plan and the frozen plans with legacy commitments were transferred to Siemens Healthineers AG from the trust structures of the Siemens Group. This contribution represented an additional contribution into equity as defined in Section 272 para. 2 No. 4 of the German Commercial Code. The fair value of the transferred assets at the transfer date was €766 million. Siemens Healthineers AG, in its turn, contributed these trust assets to Siemens Healthcare GmbH.

Withdrawals from the capital reserve in the total amount of €444 million only related to the capital reserve defined in Section 272 para. 2 No. 4 of the German Commercial Code. An amount of €54 million was withdrawn from this capital reserve for the repurchase of treasury shares. Additionally, the management board decided to transfer €390 million from this capital reserve in the course of the appropriation of income.

The capital reserve was distributable in an amount of €367 million as of September 30, 2018 before consideration of amounts subject to dividend payout restrictions.

Treasury Shares

(in numbers of shares)	Short fiscal Year 2018
Treasury shares, beginning of fiscal year	0
Share buyback	1.440.861
Issuance under the employee share program "My IPO Shares"	-1.193.098
Treasury shares, end of fiscal year	247.763

The extraordinary Shareholders' Meeting held on February 19, 2018, authorized the Managing Board to buy back treasury shares until February 18, 2023 in an amount of up to 10% of the capital stock at the time of the resolution, or at the date of the exercise of the authorization if that value is lower, for any permissible purpose.

The 247,763 shares held by Siemens Healthineers AG correspond to a nominal value of €247,763, or 0.02% of the capital stock. During the 2018 short fiscal year, Siemens Healthineers AG repurchased a total of 1,440,861 shares of its own stock under this stock buyback program. This represents a nominal amount of €1,440,861, or 0.14 % of the capital stock. During this period, a total of €55 million (excluding incidental transaction charges) was spent for this purpose; this represents a weighted average stock price of €38.17 per share. The purchase was made during the reporting period on 26 Xetra trading days during the months of August and September 2018, by a bank engaged by Siemens Healthineers AG; the shares were purchased solely on the electronic trading platform of the Frankfurt Stock Exchange (Xetra). The average trading volume on these trading days was about 526,532 shares. In these transactions, the purchase price per repurchased share (excluding incidental transaction charges) was not to exceed by more than 10% the price of Siemens Healthineers stock as determined in the opening auction in Xetra trading on the trading date, or fall more than 20% below that price.

In September 2018, 987,138 shares were sold as investment shares to plan participants as part of the "My IPO Shares" employee share program, at a weighted average price of €38.54 per share; the purchase price was determined on the basis of the closing price in Xetra trading on the transfer date of the shares. The other 205,960 shares released during the reporting period were bonus shares awarded as part of the "My IPO Shares" employee share program.

Information on amounts subject to dividend payout restrictions

The difference as provided in Section 253 para. 6 sentence 2 of the German Commercial Code between the measurement of provisions for post-retirement benefits according to the corresponding average market interest rate over the preceding ten years and the corresponding rate over the preceding seven years, which is subject to dividend payout restrictions, was €1.7 million.

The profit of €472 million transferred from the Siemens Healthcare GmbH (the controlled company) to the parent company for the short fiscal year also includes – as provided in Section 301 of the Stock Corporation Act – the amount of

€131 million that is subject to dividend payout restrictions under Section 253 para. 6 sentence 2 of the German Commercial Code.

The amounts subject to payout restrictions are countered by a capital reserve of €367 million that is not subject to such restrictions. Therefore there is no limitation on the payout of the unappropriated net income of €723 million.

Disclosures on holdings of the capital of Siemens Healthineers AG

As of September 30, 2018, the following information on shareholdings subject to reporting requirements was available to the Company pursuant to Section 160 para. 1 No. 8 of the German Stock Corporation Act (AktG):

Siemens AG notified us on March 20, 2018, because of the first admission of Siemens Healthineers AG stock for trading on an organized market, that the percentage of voting rights in Siemens Healthineers AG that it held either directly or indirectly on March 15, 2018, amounted to 85.00% of the voting rights (850,000,000 voting rights). At that time, moreover, there was a claim for redelivery under a securities loan, as a result of the Greenshoe option for Siemens Beteiligungsverwaltung GmbH & Co. OHG with reference to 19,565,217 voting rights, or 1.96%.

NOTE 12 – Provisions for pensions and similar commitments

As part of the transfer of employees of Siemens Healthcare GmbH and Siemens AG, Siemens Healthineers AG assumed pension obligations of €14 million resulting from the BSAV pension plan and from frozen plans with legacy commitments. In Germany, Siemens Healthineers AG generally provides pension benefits through the BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans; the latter were not claimed by any of the Company's employees. The majority of the Company's active employ-

ees participate in the BSAV. The benefits from this plan are predominantly based on contributions made by the Company and returns earned on such contributions, subject to a minimum return guaranteed by the Company. For benefits provided under the frozen legacy plans, the effects of compensation increases were substantially eliminated, so that valuation assumptions for salary and pension increases including career trend are no longer of material significance for the pension obligations of Siemens Healthineers AG.

The fulfillment amount of the provisions for pensions and similar obligations came to €16 million at the reporting date. The actuarial valuation of the fulfillment amount was based substantially on the following parameters:

For pension obligations, the 10-year average interest rate (3.34%) pursuant to Section 253 para. 2 of the German Commercial Code was applied. For other obligations, the 7-year average interest rate (2.43%) was used. The valuation difference under Section 253 para. 6 of the German Commercial Code from the discounting of pension provisions at the 10-year average interest rate and the 7-year average interest rate was €1.7 million at the reporting date. A rate of pension progression of 1.5% per year and an income progression of 2.25% per year were applied for the pension obligations. The mortality rates are based on Siemens-specific mortality tables (Richttafeln) with a mortality trend based on the Heubeck mortality tables RT 2005 G.

NOTE 13 – Other provisions

Other provisions included miscellaneous provisions of €3 million and tax provisions of €35 million.

The main amounts in the miscellaneous provisions related to provisions of €3 million for personnel expenses.

For the method of determining the provision for share commitments, please refer to the discussion in NOTE 17 – Share based payments.

NOTE 14 – Liabilities

(in millions of €)	09/30/2018			12/01/2017		
	up to 1 year	1 year up to 5 years	thereof maturities more than 5 years	up to 1 year	1 year up to 5 years	thereof maturities more than 5 years
Trade payables	0	0	-	-	-	-
Liabilities to affiliated companies	2.414	2.414	-	-	-	-
Other liabilities	4	4	-	-	-	-
<i>therein from taxes</i>	0	0	-	-	-	-
<i>therein for social security</i>	0	0	-	-	-	-
Liabilities	2.418	2.418	-	-	-	-

Tax liabilities as of September 30, 2018, came to €337 thousand, and liabilities for social security came to €20 thousand. The liabilities to affiliated companies pertained to liabilities of €2,323 million to Siemens Healthcare GmbH for cash pooling

within the Siemens Healthineers Group, and other liabilities of €91 million resulting from the parent-subsidary relationship for value added tax purposes with several subsidiaries, and from amounts collected for subsidiaries.

A.3.5 Other disclosures

NOTE 15 – Material expenses

(in millions of €)	Short fiscal year 2018
Expenses for raw materials, supplies and purchased merchandise	-67
Costs of purchased services	-337
Material expenses	-404

NOTE 16 – Personnel expenses

Personnel expenses did not include the expense for compounding the interest on the pension and personnel-related expenses, which are included in other financial income (expenses), net.

(in millions of €)	Short fiscal year 2018
Wages and salaries	-10
Social security contributions and expenses for other employee benefits	-0
Expenses for / Income from pensions	-1
Personnel expenses	-12

During the 2018 short fiscal year, the Company had an average of 27 employees, who were engaged solely in administrative functions. The average percentage of women was 7%.

NOTE 17 – Share-based payment

Siemens Healthineers AG allows employees and members of the Managing Board to participate in share-based payment programs. For the purpose of servicing share-based payment programs Siemens Healthineers AG also delivers Siemens Healthineers shares that have been granted by affiliated companies.

Stock awards

Siemens Healthineers AG grants stock awards to members of the Managing Board, members of the senior management and other eligible employees.

Stock awards to beneficiaries of Siemens Healthineers AG are expensed as incurred over the vesting period and are measured at the intrinsic value (= share price of Siemens Healthineers stock) on a pro rata basis for the proportion of the vesting period expired considering the estimated target attainment at the balance sheet date. The number of shares for some of the stock awards is not known because the grant and number of these awards still depends on attaining certain targets. The provision for these awards is formed on the basis of the projected number of stock awards to be issued. The estimate of the numbers took account of the estimated target attainment and other performance terms.

The following table shows the changes in the stock awards held by members of the senior management and other eligible employees of Siemens Healthineers AG:

(in number of shares)	Short fiscal year 2018
Non-vested, beginning of fiscal year	0
Granted	225.702
Forfeited	0
Settled	0
Non-vested, end of fiscal year	225.702

Additionally, 15,184 stock awards with cash settlement were granted during the 2018 short fiscal year.

The pro rata intrinsic value of all stock awards issued to beneficiaries of Siemens Healthineers AG amounted to €2 million at the balance sheet date.

Bonus shares

Under the "My IPO Shares" employee share program, which was offered on a one-time basis on the occasion of the initial public offering (IPO), plan participants were entitled to bonus shares depending on the amount of their investment, with a maximum permitted investment of €2,500 per plan participant. Up to an investment of €1,000, plan participants received bonus shares worth 30% of the investment amount. For any further investment of up to €1,500, the plan participants received bonus shares worth 10% of this additional investment amount; in other words, bonus shares worth a maximum €450 per plan participant were granted.

The "My IPO Shares" employee share program was settled on September 14, 2018, so that on that date 323 bonus shares worth €12 thousand were issued to employees of Siemens Healthineers AG.

NOTE 18 – Guarantees and other commitments

For two subsidiaries Siemens Healthineers AG has undertaken under unrestricted letters of comfort to be responsible for all liabilities recognized in these subsidiaries' Annual Financial Statements for fiscal year 2018, within the meaning of Section 264 para. 3 sentence 1 No. 2 of the German Commercial Code, that were undertaken by these subsidiaries up to the reporting date of September 30, 2018. These liabilities comprise the liabilities and provisions recognized in the Balance Sheets of these subsidiaries' Annual Financial Statements as of September 30, 2018, as well as the off-balance-sheet contingent liabilities and liabilities from pending transactions. The letters of comfort and the associated responsibility obligations will end at the end of fiscal year 2019.

Siemens Healthineers AG enters into contingent liabilities only after careful consideration of the risks concerned. Based on an ongoing risk evaluation of the arrangements entered into and taking into account all information available up to the date on which the Annual Financial Statements were prepared, Siemens Healthineers AG currently concludes that the relevant

subsidiaries will be able to fulfill their obligations themselves. For this reason, the Company does not consider it probable that it will be called upon to perform in conjunction with any of the commitments described above.

NOTE 19 – Financial payment obligations under leasing and rental arrangements

There were no payment obligations under leasing and rental arrangements.

NOTE 20 – Other financial obligations

There were no other financial obligations at the balance sheet date.

NOTE 21 – Proposal for the appropriation of net income

The Supervisory Board and the Managing Board propose that the unappropriated net income of Siemens Healthineers AG for the past short fiscal year 2018, amounting to €723 million, be appropriated as follows: Distribution of a dividend of €0.70 on each share of no par value entitled to the dividend, and carry-forward of the remaining amount.

NOTE 22 – Remuneration of the members of the Managing Board and the Supervisory Board

Remuneration of the members of the Managing Board

Members of the Managing Board received cash compensation of €2.5 million. The fair value of stock-based compensation amounted to €3.4 million for 120,097 Stock Awards. The Company granted contributions (including one-time special contributions) under the BSAV to members of the Managing Board totaling €0.7 million.

Therefore the compensation and benefits attributable to members of the Managing Board amounted to €6.6 million in total.

Remuneration of the members of the Supervisory Board

Compensation attributable to members of the Supervisory Board comprises a base compensation and additional compensation for committee work, and amounted to €0.6 million (including meeting fees).

Information regarding the remuneration of the members of the Managing Board and Supervisory Board is disclosed on an individual basis in the Compensation Report, which is part of the Combined Management Report (Section A.12).

NOTE 23 – Declaration of Compliance with the German Corporate Governance Code

As of September 30, 2018, the mandatory statement pursuant to Section 161 of the German Stock Corporation Act (AktG) has been issued by the Managing Board and the Supervisory Board and is accessible to the public on the Company's website at <https://www.corporate.siemens-healthineers.com/investor-relations/corporate-governance>.

NOTE 24 – Group affiliation

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

The Consolidated Financial Statements are published in the electronic version of the German Federal Gazette.

NOTE 25 – Members of the Supervisory Board and Managing Board and their mandates

Members of the Managing Board

In the 2018 short fiscal year, the Managing Board had the following members:

Name and occupation	Year of birth	First appointed	Term expires	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises	
				External positions (as of September 30, 2018)	Group company positions (as of September 30, 2018)
Dr. Bernhard Montag Chairman	1969	03/01/2018	02/28/2021	None	None
Dr. Jochen Schmitz Chief Financial Officer	1966	03/01/2018	02/28/2021	Positions outside Germany: • Siemens Sp. z o.o., Polen (Chairman) (until 08/31/2018) • Siemens Holdings plc, United Kingdom (Chairman) (until 08/31/2018) • Siemens AB, Sweden (until 08/31/2018)	None
Michael Reitermann Member of the Managing Board, President of the Segment Diagnostics	1962	03/01/2018	02/28/2021	Positions outside Germany: • Siemens Foundation, USA	None
Carina Schätzl Employee in the Finance Department of Siemens AG	1987	12/01/2017	02/28/2018	None	None
Wolfgang Seltmann Employee in the Finance Department of Siemens AG	1963	12/01/2017	02/28/2018	German positions: • evosoft GmbH Positions outside Germany: • evosoft kft, Hungary	None

Members of the Supervisory Board

The Supervisory Board of Siemens Healthineers AG has nine members. All members are appointed by the Shareholders' Meeting and represent the shareholders. Under the German rules for employee co-determination in companies, Siemens Healthineers AG is not required to appoint a Supervisory Board that includes employee representatives, as Siemens

Healthineers AG has fewer than the required number of employees. Consistently with the German provisions for employee co-determination in companies, employees at other entities of the Group are not attributed to Siemens Healthineers AG.

In the 2018 short fiscal year, the Supervisory Board had the following members:

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, 2018)				
Name	Occupation	Year of birth	Member since	
Michael Sen Chairman	Member of the Managing Board of Siemens AG	1968	03/01/2018	German positions: • Siemens Healthcare GmbH (Chairman) Positions outside Germany: • Siemens Gamesa Renewable Energy, S.A., Spain
Dr. Norbert Gaus Deputy Chairman	Executive Vice President Corporate Technology of Siemens AG	1961	03/01/2018	German positions: • evosoft GmbH (Chairman) Positions outside Germany: • evosoft kft, Hungary (Chairman)
Dr. Marion Helmes	Business Consultant	1965	03/01/2018	German positions: • ProSiebenSat. 1 Media SE (Vice Chairwoman) • Uniper SE Positions outside Germany: • British American Tobacco p.l.c., United Kingdom • Heineken N.V., The Netherlands
Dr. Andreas C. Hoffmann	General Counsel of Siemens AG	1964	03/01/2018	None
Dr. Philipp Rösler	Chief Executive Officer of Hainan Cihang Charity Foundation Inc.	1973	03/02/2018	German positions: • Bertelsmann Stiftung • Jacobs University Bremen
Dr. Nathalie von Siemens	Managing Director and Spokesperson of Siemens Stiftung	1971	03/01/2018	German positions: • Messer Group GmbH • Siemens AG • Siemens Healthcare GmbH
Dr. Gregory Sorensen	Executive Chairman of IMRIS (Deerfield Imaging, Inc.) and President and CEO of DeepHealth, Inc.	1962	03/01/2018	Positions outside Germany: • Fusion Healthcare Staffing, LLC, USA (Chairman) • Invicro, LLC, USA • DFB Healthcare Acquisitions Corp., USA
Karl-Heinz Streibich	President of acatech – Deutsche Akademie der Technikwissenschaften	1952	03/01/2018	German positions: • Dürr AG (Chairman) • Deutsche Telekom AG • Deutsche Messe AG • Wittenstein SE
Dr. Ralf P. Thomas	Member of the Managing Board of Siemens AG (Chief Financial Officer)	1961	03/01/2018	German positions: • Siemens Healthcare GmbH Positions outside Germany: • Siemens Aktiengesellschaft Österreich, Austria • Siemens Corp., USA (Deputy Chairman) • Siemens Gamesa Renewable Energy, S.A., Spain
Peter Kastenmeier Chairman (until 02/28/2018)	Teamlead in the Finance Department of Siemens AG	1960	12/01/2017	German positions: • Flender GmbH, Bocholt (since February 1, 2018)
Steffen Großberger Deputy Chairman (until 02/28/2018)	Employee in the Finance Department of Siemens AG	1972	12/01/2017	None
Martin Rohbogner (until 02/28/2018)	Employee in the Finance Department of Siemens AG	1978	12/01/2017	None

NOTE 26 – List of subsidiaries and associated companies pursuant to Section 285 para. 11 of the German Commercial Code

September 30, 2018	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
Germany (11 companies)			
Befund24 GmbH, Erlangen / Germany	0 ³	2 ³	70
Dade Behring Grundstücks GmbH, Marburg / Germany	-1	36	94
MeVis BreastCare GmbH & Co. KG, Bremen / Germany	1 ⁴	4 ⁴	49
NEO New Oncology GmbH, Cologne / Germany	-7	29	100
Siemens Healthcare Diagnostics GmbH, Eschborn / Germany	7	206	100
Siemens Healthcare Diagnostics Holding GmbH, Eschborn / Germany	44	1.089	100
Siemens Healthcare Diagnostics Products GmbH, Marburg / Germany	34	786	100
Siemens Healthcare GmbH, Munich / Germany	-332	1.208	100
Siemens Healthineers Beteiligungen GmbH & Co. KG, Kemnath / Germany	-3	12.898	100
Siemens Medical Solutions Health Services GmbH, Grünwald / Germany	6	34	100
Siemens Real Estate GmbH & Co. KG, Kemnath / Germany	16	121	94
Europe, Commonwealth of Independent States (C. I. S.), Africa, Middle East (EMEA) (without Germany) (53 companies)			
Fast Track Diagnostics Ltd, Sliema / Malta	2	21	100
FAST TRACK DIAGNOSTICS LUXEMBOURG S.à r.l., Esch-sur-Alzette / Luxembourg	0	76	100
FTD Europe Ltd, Sliema / Malta	0	20	100
Impilo Consortium (Pty.) Ltd., La Lucia / South Africa	-14 ⁴	56 ⁴	31
ITH icoserve technology for healthcare GmbH, Innsbruck / Austria	0	3	69
Medical Systems S.p.A., Genoa / Italy	4 ⁵	105 ⁵	45
PETNET Solutions SAS, Lisses / France	1	1	100
Siemens Diagnostics Holding II B.V., The Hague / Netherlands	19	1.330	100
Siemens Healthcare (Private) Limited, Lahore / Pakistan	-1	-2	100
Siemens Healthcare A/S, Ballerup / Denmark	4	27	100
Siemens Healthcare AB, Solna / Sweden	5	33	100
Siemens Healthcare AG, Zurich / Switzerland	3	120	100
Siemens Healthcare AS, Oslo / Norway	4	35	100
Siemens Healthcare d.o.o. Beograd, Belgrade / Serbia	0	1	100
Siemens Healthcare d.o.o., Ljubljana / Slovenia	1	3	100
Siemens Healthcare d.o.o., Zagreb / Croatia	1	0	100
Siemens Healthcare Diagnostics GmbH, Vienna / Austria	0	105	100
Siemens Healthcare Diagnostics Ltd., Frimley, Surrey / United Kingdom	3	53	100
Siemens Healthcare Diagnostics Manufacturing Ltd, Frimley, Surrey / United Kingdom	5	174	100
Siemens Healthcare Diagnostics Products Ltd, Frimley, Surrey / United Kingdom	4	165	100
Siemens Healthcare EOOD, Sofia / Bulgaria	1	3	100
Siemens Healthcare FZ LLC, Dubai / United Arab Emirates	4	3	100
Siemens Healthcare Industrial and Commercial Société Anonyme, Athens / Greece	1	56	100
Siemens Healthcare Kft., Budapest / Hungary	2	3	100
Siemens Healthcare L.L.C., Dubai / United Arab Emirates	10	-46	49

1 The values correspond to the annual financial statements after a possible profit transfer, for subsidiaries according to the consolidated IFRS-closing.

4 Financial data from local financial statements for the fiscal year October 1, 2016 – September 30, 2017.

N/A = No data available.

2 Control due to a majority of voting rights.

5 Financial data from local financial statements for the fiscal year January 1, 2017 – December 31, 2017.

3 Financial data for the short fiscal year November 10, 2017 – September 30, 2018.

6 Usage of the exemption in accordance with Section 286 para. 3 sentence 2 German Commercial Code.

September 30, 2018	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
SIEMENS HEALTHCARE LIMITED LIABILITY COMPANY, Kiev / Ukraine	1	2	100
Siemens Healthcare Limited Liability Company, Moscow / Russian Federation	6	6	100
Siemens Healthcare Limited Liability Partnership, Almaty / Kazakhstan	-1	-3	100
Siemens Healthcare Limited, Frimley, Surrey / United Kingdom	30	-75	100
Siemens Healthcare Limited, Riyadh / Saudi Arabia	22	34	51
Siemens Healthcare Logistics LLC, Cairo / Egypt	1	0	100
Siemens HealthCare Ltd., Rosh HaAyin / Israel	1	3	100
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin / Ireland	2	8	100
Siemens Healthcare Nederland B.V., The Hague / Netherlands	1	117	100
Siemens Healthcare Oy, Espoo / Finland	7	52	100
Siemens Healthcare Proprietary Limited, Halfway House / South Africa	5	38	75
Siemens Healthcare S.A.E., Cairo / Egypt	3	6	100
Siemens Healthcare S.R.L., Bucharest / Romania	1	10	100
Siemens Healthcare S.r.l., Milan / Italy	10	239	100
Siemens Healthcare s.r.o., Bratislava / Slovakia	2	-2	100
Siemens Healthcare SA/NV, Beersel / Belgium	11	87	100
Siemens Healthcare Saglik Anonim Sirketi, Istanbul / Turkey	5	20	49
Siemens Healthcare SARL, Casablanca / Morocco	-2	-2	100
Siemens Healthcare SAS, Saint-Denis / France	14	220	100
Siemens Healthcare Sp. z o.o., Warsaw / Poland	5	56	100
SIEMENS HEALTHCARE, S.L.U., Getafe / Spain	9	257	100
Siemens Healthcare, s.r.o., Prague / Czech Republic	5	38	100
SIEMENS HEALTHCARE, UNIPESSOAL, LDA, Amadora / Portugal	2	90	100
Siemens Healthineers Holding III B.V., The Hague / Netherlands	83	2.502	100
Siemens Medical Solutions Diagnostics Holding I B.V., The Hague / Netherlands	-11	2.817	100
Siemens Medicina d.o.o., Sarajevo / Bosnia and Herzegovina	0	0	100
Steiermärkische Medizinarchiv GesmbH, Graz / Austria	1	2	52
TRIXELL SAS, Moirans / France	22 ⁵	38 ⁵	25

Americas (26 companies)

Dade Behring Hong Kong Holdings Corporation, Tortola / Virgin Islands, British	-	33	100
Dedicated2Imaging LLC, Wilmington, DE / United States	-5	8	80
EPOCAL INC., Toronto / Canada	-3	88	100
P.E.T.NET Houston, LLC, Austin, TX / United States	2	5	51
PETNET Indiana LLC, Indianapolis, IN / United States	0	3	50 ²
PETNET Solutions Cleveland, LLC, Wilmington, DE / United States	1	3	63
PETNET Solutions, Inc., Knoxville, TN / United States	11	145	100
PhSiTh LLC, New Castle, DE / United States	N/A ⁶	N/A ⁶	33
Siemens Healthcare Diagnósticos Ltda., São Paulo / Brazil	19	136	100

1 The values correspond to the annual financial statements after a possible profit transfer, for subsidiaries according to the consolidated IFRS-closing.

4 Financial data from local financial statements for the fiscal year October 1, 2016 – September 30, 2017.

N/A = No data available.

2 Control due to a majority of voting rights.

5 Financial data from local financial statements for the fiscal year January 1, 2017 – December 31, 2017.

3 Financial data for the short fiscal year November 10, 2017 – September 30, 2018.

6 Usage of the exemption in accordance with Section 286 para. 3 sentence 2 German Commercial Code.

September 30, 2018	Net income in millions of € ¹	Equity in millions of € ¹	Equity interest in %
SIEMENS HEALTHCARE DIAGNOSTICS GUATEMALA, S.A., Guatemala / Guatemala	0	0	99
Siemens Healthcare Diagnostics Inc., Los Angeles, CA / United States	125	6.714	100
Siemens Healthcare Diagnostics Manufacturing Limited, Grand Cayman / Cayman Islands	8	248	100
Siemens Healthcare Diagnostics S.A., San José / Costa Rica	1	1	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City / Mexico	4	71	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile / Chile	1	16	100
Siemens Healthcare Laboratory, LLC, Wilmington, DE / United States	-1	4	100
Siemens Healthcare Limited, Oakville / Canada	12	71	100
Siemens Healthcare S.A., Buenos Aires / Argentina	-2	18	100
Siemens Healthcare S.A.C., Surquillo / Peru	1	1	100
Siemens Healthcare S.A.S., Tenjo / Colombia	1	20	100
Siemens Healthcare Servicios S. de R.L. de C.V., Mexico City / Mexico	0	4	100
Siemens Healthcare, Sociedad Anonima, Antiguo Cuscatlán / El Salvador	1	1	100
Siemens Medical Solutions USA, Inc., Wilmington, DE / United States	-47	4.924	100
Siemens Molecular Imaging, Inc., Wilmington, DE / United States	-4	-102	100
Siemens S.A., Montevideo / Uruguay	0	3	100
Siemens-Healthcare Cia. Ltda., Quito / Ecuador	0	3	100
Asia, Australia (24 companies)			
Acrorad Co., Ltd., Okinawa / Japan	1	28	63
DPC (Tianjin) Co., Ltd., Tianjin / China	0	0	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., Mumbai / India	0	3	100
Siemens Healthcare Diagnostics (Shanghai) Co. Ltd., Shanghai / China	42	317	100
Siemens Healthcare Diagnostics K.K., Tokyo / Japan	4	200	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai / China	-1	14	100
Siemens Healthcare Inc., Manila / Philippines	0	4	100
Siemens Healthcare K.K., Tokyo / Japan	37	222	100
Siemens Healthcare Limited, Auckland / New Zealand	2	12	100
Siemens Healthcare Limited, Bangkok / Thailand	2	7	100
Siemens Healthcare Limited, Ho Chi Minh City / Viet Nam	0	2	100
Siemens Healthcare Limited, Hong Kong / Hong Kong	4	7	100
Siemens Healthcare Limited, Taipei / Taiwan, Province of China	6	22	100
Siemens Healthcare Ltd., Dhaka / Bangladesh	1	3	100
Siemens Healthcare Ltd., Shanghai / China	71	117	100
Siemens Healthcare Private Limited, Mumbai / India	7	-54	100
Siemens Healthcare Pte. Ltd., Singapore / Singapore	4	-20	100
Siemens Healthcare Pty. Ltd., Melbourne / Australia	15	90	100
Siemens Healthcare Sdn. Bhd., Petaling Jaya / Malaysia	3	6	100
Siemens Healthineers Ltd., Seoul / Korea, Republic of	48	74	100

1 The values correspond to the annual financial statements after a possible profit transfer, for subsidiaries according to the consolidated IFRS-closing.

4 Financial data from local financial statements for the fiscal year October 1, 2016 – September 30, 2017.

N/A = No data available.

2 Control due to a majority of voting rights.

5 Financial data from local financial statements for the fiscal year January 1, 2017 – December 31, 2017.

3 Financial data for the short fiscal year November 10, 2017 – September 30, 2018.

6 Usage of the exemption in accordance with Section 286 para. 3 sentence 2 German Commercial Code.

September 30, 2018	Net income in millions of €¹	Equity in millions of €¹	Equity interest in %
Siemens Shanghai Medical Equipment Ltd., Shanghai / China	41	92	100
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen / China	48	100	100
Siemens Technology Development Co., Ltd. of Beijing, Beijing / China	4	7	90
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi / China	2	20	100

1 The values correspond to the annual financial statements after a possible profit transfer, for subsidiaries according to the consolidated IFRS-closing.

4 Financial data from local financial statements for the fiscal year October 1, 2016 – September 30, 2017.
N/A = No data available.

2 Control due to a majority of voting rights.

5 Financial data from local financial statements for the fiscal year January 1, 2017 – December 31, 2017.

3 Financial data for the short fiscal year November 10, 2017 – September 30, 2018.

6 Usage of the exemption in accordance with Section 286 para. 3 sentence 2 German Commercial Code.

Additional Information

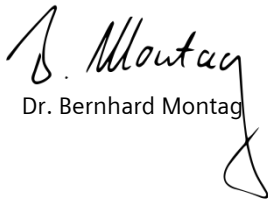
B.1 Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Management Report for Siemens Healthineers AG, which has been combined with the Group Management Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Munich, November 19, 2018

Siemens Healthineers AG

Der Vorstand



Dr. Bernhard Montag



Dr. Jochen Schmitz



Michael Reitermann

B.2 Independent Auditor's Report

To Siemens Healthineers AG, Munich

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of Siemens Healthineers AG, Munich, which comprise the income statement for the short fiscal year from December 1, 2017 to September 30, 2018, the balance sheet as of September 30, 2018 and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Siemens Healthineers AG, which is combined with the group management report. In accordance with the German legal requirements we have not audited the content of chapter A.11.3 "Corporate Governance statement" of the Combined Management Report, including chapter C.3.2 of the Annual Report 2018 referred to in chapter A.11.3.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of September 30, 2018 and of its financial performance for the short fiscal year from December 1, 2017 to September 30, 2018 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the Corporate Governance statement referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the 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 annual 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 annual financial statements and of the management report"

section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the short fiscal year from December 1, 2017 to September 30, 2018. These matters were addressed in the context of our audit of the annual 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:

Impairment of non-current financial assets

Reasons why the matter was determined to be a key audit matter: The impairment test of non-current financial assets, especially of shares in affiliated companies, entails an elevated risk of material misstatement due to the materiality of these assets as well as the judgment involved in assessing whether there is objective evidence to indicate a lower net realizable value and permanent impairment. The valuations also depend to a large extent on the estimate of future cash inflows and the discount rate applied. Consequently, the impairment of non-current financial assets was a key audit matter.

Auditor's response: With regard to the lower net realizable value determined and the assessment of permanent impairment by management, we examined the underlying processes and controls used to determine net realizable values and examined the process for budgeting future cash flows. With the help of internal valuation experts, we obtained an understanding of the underlying valuation models used to determine net realizable value both methodologically and arithmetically. We also examined whether the budget planning reflects general and industry-specific market expectations.

We performed a budget to actual comparison of the historically forecasted data and the actual results on a sample basis to assess forecast accuracy. We examined the inputs used to estimate net realizable value, such as the estimated growth rates and the weighted average cost of capital, comparing them with publicly available market data and assessing them in light of changes in key assumptions, including future market conditions.

Our audit procedures did not lead to any reservations relating to the impairment of non-current financial assets.

Reference to related disclosures: With regard to the recognition and measurement policies applied in relation to the impairment of non-current financial statements, refer to chapter A.3.2 Accounting policies and methods in the notes to the financial statements.

Uncertain tax positions and deferred taxes

Reasons why the matter was determined to be a key audit matter: The accounting for uncertain tax positions as well as deferred taxes requires management to exercise considerable judgment and make estimates and assumptions, and was therefore a key audit matter. In particular, this relates to the measurement and completeness of uncertain tax position.

Auditor's response: With the assistance of internal tax specialists who have knowledge of relevant tax law, we examined the processes installed by management to identify, recognize and measure tax positions. In the course of our audit procedures relating to uncertain tax positions, we evaluated whether management's assessment of the tax implications of significant business transactions or events in the short fiscal year 2018, which could result in uncertain tax positions or influence the measurement of existing uncertain tax positions, was in compliance with tax law. This includes, in particular, tax effects from the acquisition or disposal of businesses, corporate (intragroup) restructuring activities, and cross-border transactions including the determination of transfer prices. We also obtained confirmations from external tax advisors to assess measurement and completeness. Further, we evaluated management's assessments with respect to the prospects of success of appeal and tax court proceedings by inquiring of the Siemens Healthineers tax department and by considering current tax case law.

Our audit procedures did not lead to any reservations relating to the accounting for uncertain tax positions and the assessment of deferred taxes.

Reference to related disclosures: With regard to the recognition and measurement policies applied in accounting for income taxes, refer to chapter A.3.2 Accounting policies and methods and chapter A.3.3 Notes to the income statement Note 6 Income taxes and with respect to disclosures for deferred tax assets, refer to chapter A.3.4 Notes to the balance sheet, Note 10 Deferred tax assets in the notes to the financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board in the Annual Report 2018. In all other respects, management is responsible for the other information.

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

- The Responsibility Statement according to Sec. 264 (2) Sentence 3 and Sec. 289 (1) Sentence 5 HGB in chapter B.1 of the report "Annual Financial Statements for the short fiscal year from December 1, 2017 to September 30, 2018"
- The notes in chapter B.3 of the report "Annual Financial Statements for the short fiscal year from December 1, 2017 to September 30, 2018"
- The Responsibility Statement in chapter C.1 of the Annual Report 2018
- The Report of the Supervisory Board in the Annual Report 2018
- Corporate Governance in chapter C.3 of the Annual report 2018, and

- The notes and forward-looking statements in chapter C.4 of the Annual report 2018.

Our opinions on the annual financial statements and on the 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 annual financial statements, with the 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 annual financial statements and the management report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with the German legally required accounting principles. In addition, management is responsible for such internal control as it, in accordance with German legally required accounting principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 it has considered necessary to enable the preparation of a 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 management report.

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and the 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 annual financial statements and this 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 annual financial statements and the 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 annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 of the Company;
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by the 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern;

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles;
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides;
- Perform audit procedures on the prospective information presented by management in the 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, 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 annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

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

We were elected as auditor by the Annual Shareholders' Meeting on February 19, 2018. We were engaged by the Supervisory Board on April 24, 2018. We have been the auditor of Siemens Healthineers AG since the short fiscal year from December 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).

In addition to the financial statement audit, we have provided to the Company or entities controlled by it the following ser-

ances that are not disclosed in the annual financial statements or in the management report:

In addition to auditing the statutory financial statements of Siemens Healthineers AG, we performed the statutory audit of the Siemens Healthineers' consolidated financial statements, audits of financial statements of subsidiaries of Siemens Healthineers AG, reviews of interim financial statements being integrated into the audit and project-accompanying IT audits.

Other attestation services include primarily a post-foundation audit, an audit of a capital increase with contribution in kind and other contractually agreed attestation services. Permissible tax services were performed to a minor extent.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Thomas Spannagl.

Munich, November 19, 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft



Spannagl

Wirtschaftsprüfer

[German Public Auditor]



Tropschug

Wirtschaftsprüferin

[German Public Auditor]

B.3 Further Information

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

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

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

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