

Siemens Healthineers starts new fiscal year with strong growth – outlook confirmed

Erlangen, Germany, February 3, 2020 - Siemens Healthineers AG today announced its results for the first quarter of fiscal year 2020 that ended December 31, 2019.

Q1 Fiscal Year 2020

- Comparable revenue growth of 5.5% – strong performance in Imaging with 6.7% growth and very strong in Advanced Therapies with 9.5% increase
- Equipment book-to-bill of 1.2, the seventh consecutive quarter with book-to-bill >1
- Adjusted EBIT margin of 13.5% down on previous year, negatively impacted by temporary dip in Imaging and the margin development as guided in Diagnostics
- Adjusted basic earnings per share at €0.35
- Free cash flow of €244 million significantly above prior year
- Outlook for fiscal year 2020 confirmed

Bernd Montag, CEO of Siemens Healthineers AG:

»We started the new fiscal year and the Upgrading phase of our Strategy 2025 with a growth-intensive first quarter. Profitability was held back by temporary effects. Recent major order wins underline the fact that we are more than ever before the preferred partner for efficient and high-quality healthcare. Against the background of our very strong order situation, we are confident for the further development of the current fiscal year.«

Business highlights

Fiscal year 2020 marks the start of the next phase of the Siemens Healthineers Strategy 2025, known as the so-called **Upgrading phase**. Clear priorities have been defined for the three business segments.

In the Imaging segment, the company is consistently expanding its leading position in the field of **digitalization** with the launch of new products. These include two AI-Rad Companions for the AI-assisted analysis of MR brain¹ and prostate¹ image data, as well as a computed tomography system that automatically adapts examination procedures to existing patient data with the help of intelligent user guidance.

In the Diagnostics segment, Siemens Healthineers wants to expand its leading position in **workflow** improvement. Recently, the company won an important Atellica Solution contract. The customer is Quest Diagnostics, the world's leading provider of diagnostic information services. With the agreement, Siemens Healthineers will be the U.S. company's primary supplier for immunoassay testing. The order is further evidence that Atellica Solution is very well received in the market.

The Advanced Therapies segment's portfolio is geared to further improving the precision of minimally invasive **procedures**. The Artis product family is playing a central role in the related imaging. In addition, further business opportunities have been created with the acquisition of Corindus Vascular Robotics, Inc., which was completed at the end of October. At the end of 2019, a minimally invasive, robotic-assisted heart procedure was performed for the first time in Germany at the University Hospital in Giessen, using both the Corindus robotic system and an Artis angiography system from Siemens Healthineers.

As of beginning of fiscal year 2020, Siemens Healthineers applies the accounting standard IFRS 16, Leases. Comparative figures for the preceding fiscal year were not adjusted. Instead, the overall insignificant transition effects were recognized in equity as of October 1, 2019.

1 510(k) pending. This information about this product is preliminary. It is not commercially available in all countries, and its future availability cannot be ensured.

Siemens Healthineers

(in millions of €)	Q1 2020	Q1 2019	Act.	%-Change Comp. ¹
Revenue	3,587	3,301	8.7%	5.5%
Adjusted EBIT ²	484	542	-11%	
Adjusted EBIT margin	13.5%	16.4%		
Net income	304	345	-12%	
Adjusted basic earnings per share ³	0.35	0.38	-6%	
Free cash flow ⁴	244	-24	n.a.	

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

² Adjusted EBIT is defined as income before income taxes, interest income and expenses and other financial income, net, adjusted for amortization of intangible assets acquired in business combinations, severance charges, acquisition-related transaction costs and centrally carried pension service and administration expenses (only excluded from adjusted EBIT of the segments).

³ Adjusted basic earnings per share are defined as basic earnings per share, adjusted for amortization of intangible assets acquired in business combinations, severance charges and acquisition-related transaction costs, net of tax.

⁴ Free cash flow comprises the cash flows from operating activities and additions to intangible assets and property, plant and equipment included in cash flows from investing activities.

Siemens Healthineers recorded strong growth in the first quarter of fiscal year 2020, mainly due to a continuing positive momentum in the Imaging and Advanced Therapies segments. On a comparable basis, meaning excluding currency translation and portfolio effects, **revenue** rose 5.5 percent year on year and reached almost €3.6 billion. While the increases in Imaging and Advanced Therapies were particularly marked, the Diagnostics segment recorded solid growth. From a regional perspective, the EMEA region developed very positively with double-digit percentage growth. The Asia, Australia region also recorded a significant year-on-year revenue increase. In contrast, revenue in the Americas region remained flat on a comparable basis.

On a nominal basis, revenue growth was nine percent. The difference to comparable growth is mainly due to positive currency translation effects. The order situation of the company remains very good: The **equipment book-to-bill ratio**, i.e. the ratio of orders to revenue, was 1.2 in the first quarter. This performance is also the result of long-term partnerships between Siemens Healthineers and major healthcare providers worldwide.

Adjusted EBIT decreased eleven percent year on year to €484 million, translating into an **adjusted EBIT margin** of 13.5 percent in the first quarter, compared to 16.4 percent in the prior year. While profitability was negatively impacted by a temporary dip in Imaging and the guided weak margin performance in Diagnostics, Advanced Therapies almost reached the margin level of the prior-year quarter.

Net income fell twelve percent to €304 million in the first quarter, also due to a higher tax rate of 27 percent. In the prior-year period, the tax rate had been positively influenced by a special effect and amounted to 24 percent. **Adjusted basic earnings per share** declined six percent to €0.35 in the first quarter of fiscal year 2020.

At €244 million, **free cash flow** improved significantly from the previous year, mainly due to reduced funding requirements in net working capital. In addition, free cash flow benefited from the first-time application of IFRS 16.

Imaging

(in millions of €)	Q1 2020	Q1 2019	Act.	%-Change Comp. ¹
Total revenue	2,221	2,021	9.9%	6.7%
Adjusted EBIT	386	402	-4%	
Adjusted EBIT margin	17.4%	19.9%		

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

The Imaging segment recorded **revenue** of €2.2 billion in the first quarter. This corresponds to very strong year-on-year growth of about seven percent on a comparable basis, particularly driven by X-ray Products, Molecular Imaging and Magnetic Resonance. While the EMEA and Asia, Australia regions recorded significant growth, revenue in the Americas region declined slightly after strong growth in the prior-year quarter.

The segment's **adjusted EBIT margin** of 17.4 percent was below the level of the previous year, despite positive currency effects. This was due to a less favorable business mix compared to the prior-year quarter and individual effects such as expenses related to share-based compensation.

Diagnostics

(in millions of €)	Q1 2020	Q1 2019	Act.	%-Change Comp. ¹
Total revenue	1,013	964	5.1%	2.6%
Adjusted EBIT	31	75	-58%	
Adjusted EBIT margin	3.1%	7.8%		

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

In the Diagnostics segment, **revenue** was slightly above €1 billion in the first quarter. This corresponds to a solid increase of about three percent from the prior year. Significant growth came from China, while EMEA and Americas only recorded slight increases.

The segment's **adjusted EBIT margin** was 3.1 percent and, as guided, was mainly burdened by higher ramp-up costs related to Atellica Solution, following the shipment of more than 600 analyzers in the fourth quarter of fiscal year 2019.

Advanced Therapies

(in millions of €)	Q1 2020	Q1 2019	Act.	%-Change Comp. ¹
Total revenue	404	355	13.7%	9.5%
Adjusted EBIT	78	70	12%	
Adjusted EBIT margin	19.4%	19.7%		

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

The Advanced Therapies segment recorded **revenue** of €404 million in the first quarter. This corresponds to comparable growth of over nine percent year on year, driven by significant equipment growth in all regions.

Earnings-diluting effects from the Corindus acquisition were almost compensated for by higher revenue and positive currency effects: At 19.4 percent, the **adjusted EBIT margin** almost reached the good level of the prior year's quarter.

Reconciliation to consolidated financial statements

Adjusted EBIT	Q1	Q1
(in millions of €)	2020	2019
Total Segments	495	547
Corporate items, eliminations, other items	-11	-6
Amortization of intangible assets acquired in business combinations	-45	-33
Acquisition-related transaction costs	-10	-
Severance charges	-17	-13
EBIT	412	496
Financing interest	7	-45
Income before income taxes	419	452
Income tax expenses	-114	-107
Net income	304	345

Amortization of intangible assets acquired in business combinations increased to €45 million due to the acquisitions of ECG Management Consultants and Corindus Vascular Robotics, Inc. In addition, acquisition-related transaction costs of €10 million were incurred from the acquisition of Corindus Vascular Robotics, Inc.

In the **financing interest** item, Siemens Healthineers reported income in the first quarter. The main reasons for this were lower interest expenses resulting from the debt restructuring in fiscal year 2019 and interest income from an international tax procedure.

Net income was additionally held back by a higher tax rate in the first quarter of fiscal year 2020. The tax rate was 27 percent in the first quarter, up from 24 percent in the prior-year quarter, when it was positively impacted by an effect from an international tax procedure.

Outlook

We confirm our outlook for fiscal year 2020 and continue to expect comparable revenue growth to be in the range of 5% to 6% compared to fiscal year 2019. Adjusted basic earnings per share (adjusted for amortization of intangible assets acquired in business combinations, severance charges, and acquisition-related transaction costs net of tax) are expected to be 6% to 12% above the level of fiscal year 2019¹. The outlook is based on current foreign exchange rate assumptions and on the current portfolio.

¹ Adjusted basic earnings per share fiscal year 2019 up by 14% year-over-year to €1.70.

Notes and forward-looking statements

The conference call for journalists with CEO Dr. Bernd Montag and CFO Dr. Jochen Schmitz on the financial figures will be broadcast live on the internet starting today at 10:00 a.m. CET:

[siemens-healthineers.com/press-room](https://www.siemens-healthineers.com/press-room)

Starting today at 8:00 a.m. CET, the conference call for analysts and investors with Dr. Bernd Montag and Dr. Jochen Schmitz can be followed live at:

corporate.siemens-healthineers.com/investor-relations

Recordings of both conferences will be made available afterwards.

Financial publications are available for download at:

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

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

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

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

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The information contained in this document is provided as of the date of its publication and is subject to change without notice.

Please find further explanations to our financial key performance indicators in chapter „A.2 Financial performance system“ and in the notes to the consolidated financial statements note 29 „Segment information“ in the Annual Report 2019 of Siemens Healthineers under the following internet link <https://www.corporate.siemens-healthineers.com/investor-relations/presentations-financial-publications>.

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Financial Results

First quarter of fiscal year 2020

Additional information

(in millions of €, except where otherwise stated)

Revenue by region (location of customer)				
(in millions of €)	Q1 2020	Q1 2019	Act.	%-Change Comp.¹
Europe, C.I.S., Africa, Middle East (EMEA)	1,189	1,073	11%	10%
Therein: Germany	208	216	-4%	-4%
Americas	1,398	1,333	5%	0%
Therein: United States	1,185	1,130	5%	-1%
Asia, Australia	1,001	895	12%	9%
Therein: China	479	402	19%	17%
Siemens Healthineers	3,587	3,301	9%	5%

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

Employees		
	Dec 31, 2019	Sep 30, 2019
Number of employees (in thousands)	53.0	52.0
Germany	13.8	13.7
Outside Germany	39.2	38.4

Consolidated statements of income

(in millions of €, earnings per share in €)	Q1 2020	Q1 2019
Revenue	3,587	3,301
Cost of sales	-2,219	-1,968
Gross profit	1,368	1,334
Research and development expenses	-335	-312
Selling and general administrative expenses	-621	-536
Other operating income	6	13
Other operating expenses	-9	-4
Income from investments accounted for using the equity method, net	1	1
Earnings before interest and taxes	412	496
Interest income	28	6
Interest expenses	-21	-39
Other financial income, net	-1	-12
Income before income taxes	419	452
Income tax expenses	-114	-107
Net income	304	345
Thereof attributable to:		
Non-controlling interests	3	4
Shareholders of Siemens Healthineers AG	301	341
Basic earnings per share	0.30	0.34
Diluted earnings per share	0.30	0.34

Consolidated statements of comprehensive income

(in millions of €)	Q1 2020	Q1 2019
Net income	304	345
Remeasurements of defined benefit plans	53	-105
Therein: Income tax effects	-20	34
Other comprehensive income that will not be reclassified to profit or loss	53	-105
Currency translation differences	-249	53
Cash flow hedges	17	-7
Therein: Income tax effects	-6	3
Cost/Income from hedging	23	-
Therein: Income tax effects	-10	-
Other comprehensive income that may be reclassified subsequently to profit or loss	-209	46
Other comprehensive income, net of taxes	-156	-59
Comprehensive income	148	286
Thereof attributable to:		
Non-controlling interests	3	4
Shareholders of Siemens Healthineers AG	145	282

Consolidated statements of financial position

(in millions of €)	Dec 31, 2019	Sept 30, 2019
Cash and cash equivalents	934	920
Trade and other receivables	2,652	2,779
Other current financial assets	73	78
Receivables from Siemens Group	432	686
Contract assets	734	839
Inventories	2,247	2,064
Current income tax assets	96	92
Other current assets	345	321
Total current assets	7,512	7,779
Goodwill	9,372	8,590
Other intangible assets	1,955	1,576
Property, plant and equipment	2,725	2,318
Investments accounted for using the equity method	45	45
Other financial assets	306	339
Deferred tax assets	438	462
Other assets	313	320
Total non-current assets	15,154	13,650
Total assets	22,666	21,429
Short-term financial debt and current maturities of long-term financial debt	238	80
Trade payables	1,336	1,403
Other current financial liabilities	183	152
Payables to Siemens Group	369	364
Contract liabilities	1,758	1,741
Current provisions	270	282
Current income tax liabilities	351	346
Other current liabilities	1,186	1,236
Total current liabilities	5,692	5,605
Long-term financial debt	255	62
Provisions for pensions and similar obligations	956	1,045
Deferred tax liabilities	433	375
Provisions	145	147
Other financial liabilities	8	16
Other liabilities	368	368
Other liabilities to Siemens Group	4,968	4,030
Total non-current liabilities	7,133	6,043
Total liabilities	12,826	11,648
Issued capital	1,000	1,000
Capital reserve	10,815	10,801
Retained earnings	-1,572	-1,859
Other components of equity	-415	-174
Total equity attributable to shareholders of Siemens Healthineers AG	9,828	9,769
Non-controlling interests	12	13
Total equity	9,840	9,782
Total liabilities and equity	22,666	21,429

Consolidated statements of cash flows

(in millions of €)	Q1 2020	Q1 2019
Net income	304	345
Adjustments to reconcile net income to cash flows from operating activities:		
Amortization, depreciation and impairments	205	142
Income tax expenses	114	107
Interest income/expenses, net	-8	33
Income related to investing activities	-2	-4
Other non-cash income/expenses, net	12	5
Change in operating net working capital		
Contract assets	96	55
Inventories	-200	-183
Trade and other receivables	120	-26
Trade payables	-55	-74
Contract liabilities	35	6
Change in other assets and liabilities	-89	-154
Additions to equipment leased to others in operating leases	-66	-66
Income taxes paid	-115	-87
Dividends received	1	1
Interest received	6	4
Cash flows from operating activities	359	102
Additions to intangible assets and property, plant and equipment	-115	-126
Purchase of investments and financial assets for investment purposes	-4	-3
Acquisitions of businesses, net of cash acquired	-1,336	-8
Disposal of investments, intangible assets and property, plant and equipment	1	1
Disposal of businesses, net of cash disposed	-	2
Cash flows from investing activities	-1,454	-134
Purchase of treasury shares	-40	-42
Change in short-term financial debt and other financing activities	-1	1
Interest paid	-4	-1
Dividends paid to non-controlling interests	-6	-5
Interest paid to Siemens Group	-26	-33
Other transactions/financing with Siemens Group	1,201	350
Cash flows from financing activities	1,125	270
Effect of changes in exchange rates on cash and cash equivalents	-16	-
Change in cash and cash equivalents	13	238
Cash and cash equivalents at beginning of period	920	519
Cash and cash equivalents at end of period	934	757

Overview of segment figures

(in millions of €)	External revenue		Intersegment revenue		Total revenue		Adjusted EBIT ¹		Dec 31, 2019	Assets Sep 30, 2019	Free Cash Flow ²		Additions to other in- tangible assets and property, plant and equipment		Amortization, deprecia- tion & impairments	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019			Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Imaging	2,145	1,952	76	69	2,221	2,021	386	402	7,203	6,840	364	177	165	30	40	34
Diagnostics	1,013	964	-	-	1,013	964	31	75	5,267	5,499	-55	-120	120	139	73	56
Advanced Therapies	403	354	1	1	404	355	78	70	2,053	997	16	34	311	4	4	3
Total segments	3,561	3,270	77	70	3,638	3,340	495	547	14,523	13,336	325	90	596	173	117	93
Reconciliation to Consolidated Financial Statements	26	31	-77	-70	-50	-39	-77	-96	8,143	8,093	-81	-115	47	24	88	49
Siemens Healthineers	3,587	3,301	-	-	3,587	3,301	419	452	22,666	21,429	244	-24	643	197	205	142

¹ Siemens Healthineers: Income before income taxes.

² Q1 2019: On segment level adjusted according to the definition of the adjusted EBIT.

EBITDA reconciliation

(in millions of €)	Adjusted EBIT		therein adjusted for amortization of intangible assets acquired in business combinations		therein adjusted for severance charges		therein adjusted for acquisition-related transaction costs		Amortization, depreciation & impairments		EBITDA ²	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Imaging	386	402	-	-	-8	-8	-	-	40	34	417	428
Diagnostics	31	75	-	-	-6	-2	-	-	73	56	98	129
Advanced Therapies	78	70	-	-	-2	-2	-10	-	4	3	71	71
Total segments	495	547	-	-	-16	-12	-10	-	117	93	586	628
Reconciliation to consolidated financial statements ¹	-11	-6	-45	-33	-1	-1	-	-	88	49	31	10
Siemens Healthineers	484	542	-45	-33	-17	-13	-10	-	205	142	617	638

¹ Total of amortization of intangible assets acquired in business combinations.

² Income before income taxes, interest income and expenses, other financial income, net as well as amortization, depreciation & impairments.