

Condensed Combined Interim Financial Statements
for the three months ended
December 31, 2017

in accordance with
International Financial Reporting Standards
(IFRS, as adopted by the EU)

Siemens Healthineers

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I. COMBINED STATEMENTS OF INCOME

COMBINED STATEMENTS OF INCOME

FOR THE FIRST THREE MONTHS OF FISCAL 2018 AND 2017 ENDED DECEMBER 31, 2017 AND 2016

(in millions of €)	Note	2018	2017 ¹
Revenue	6	3,198	3,327
Cost of sales		(1,870)	(1,913)
Gross profit		1,328	1,414
Research and development expenses		(306)	(294)
Selling and general administrative expenses		(538)	(536)
Other operating income		16	1
Other operating expenses		(11)	(4)
Income from investments accounted for using the equity method, net		2	3
Interest income		4	4
Interest expenses		(70)	(68)
Other financial income (expenses), net		(4)	1
Income before income taxes		421	521
Income tax expenses		(111)	(160)
Net income		310	361
Attributable to:			
Non-controlling interests		3	2
Siemens Group		307	359

¹ Adjusted for effects of adopting IFRS 15, see Note 2 - Significant accounting policies and critical accounting estimates

II. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FIRST THREE MONTHS OF FISCAL 2018 AND 2017 ENDED DECEMBER 31, 2017 AND 2016

(in millions of €)	2018	2017 ¹
Net Income	310	361
Remeasurements of defined benefit plans	(31)	199
Remeasurement - before income taxes	(10)	282
Income tax effects	(21)	(83)
Items that will not be reclassified to profit or loss	(31)	199
Currency translation differences	39	(196)
Available-for-sale financial assets	-	-
therein: Income tax effects	-	-
Derivative financial instruments	6	(11)
therein: Income tax effects	(3)	4
Items that may be reclassified subsequently to profit or loss	45	(207)
Other comprehensive income, net of income taxes	14	(8)
Total comprehensive income	324	353
Attributable to:		
Non-controlling interests	3	(1)
Siemens Group	321	354

¹ Adjusted for effects of adopting IFRS 15, see Note 2 - Significant accounting policies and critical accounting estimates

III. COMBINED STATEMENTS OF FINANCIAL POSITION

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 AND SEPTEMBER 30, 2017

(in millions of €)	Note	December 31, 2017	September 30, 2017 ¹
Assets			
Cash and cash equivalents		326	184
Trade and other receivables		2,225	2,308
Other current financial assets		94	57
Receivables from Siemens Group	7	5,005	2,991
Contract assets		396	294
Inventories		1,740	1,605
Current income tax assets		73	79
Other current assets		274	276
Total current assets		10,133	7,794
Goodwill		8,046	7,992
Other intangible assets		1,580	1,525
Property, plant and equipment		1,616	1,566
Investments accounted for using the equity method		35	33
Other financial assets		148	162
Other receivables from Siemens Group	7	1,365	1,365
Deferred tax assets		433	408
Other assets		263	268
Total non-current assets		13,486	13,319
Total assets		23,619	21,113
Liabilities and equity			
Short-term debt and current maturities of long-term debt		56	55
Trade payables		1,070	1,120
Other current financial liabilities		69	72
Payables to Siemens Group	7	8,255	5,795
Contract liabilities		1,383	1,406
Current provisions		278	290
Current income tax liabilities		117	122
Other current liabilities		1,134	1,250
Total current liabilities		12,362	10,110
Long-term debt		17	15
Provisions for pensions and similar obligations		1,769	1,732
Deferred tax liabilities		300	259
Provisions		152	153
Other financial liabilities		41	23
Other liabilities		364	365
Other liabilities to Siemens Group	7	5,081	5,167
Total non-current liabilities		7,724	7,714
Total liabilities		20,086	17,824
Net assets attributable to Siemens Group		4,242	4,045
Other components of equity		(719)	(764)
Total equity attributable to Siemens Group		3,523	3,281
Non-controlling interests		10	8
Total equity	3	3,533	3,289
Total liabilities and equity		23,619	21,113

¹ Adjusted for effects of adopting IFRS 15, see Note 2 - Significant accounting policies and critical accounting estimates

IV. COMBINED STATEMENTS OF CASH FLOWS

COMBINED STATEMENTS OF CASH FLOWS

FOR THE FIRST THREE MONTHS OF FISCAL 2018 AND 2017 ENDED DECEMBER 31, 2017 AND 2016

(in millions of €)	2018	2017 ¹
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	310	361
Adjustments to reconcile net income to cash flows from operating activities		
Amortization, depreciation and impairments	124	141
Income tax expenses	111	160
Interest expenses, net	66	64
Income related to investing activities	(1)	-
Other income from investments	(2)	(3)
Other non-cash (income) expenses	7	34
Change in operating net working capital		
Contract assets	(110)	(80)
Inventories	(140)	(128)
Trade and other receivables	144	143
Trade payables	(26)	10
Contract liabilities	(39)	(27)
Change in other assets and liabilities	(176)	(200)
Additions to assets leased to others in operating leases	(50)	(40)
Income taxes paid	(42)	(8)
Income taxes paid by Siemens Group on behalf of Siemens Healthineers	(77)	(94)
Dividends received	1	1
Interest received	4	4
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	104	338
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to intangible assets and property, plant and equipment	(95)	(96)
Purchase of investments	-	-
Acquisitions of businesses, net of cash acquired	(226)	(6)
Disposal of investments, intangibles and property, plant and equipment	2	1
CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(319)	(101)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short-term debt and other financing activities	(1)	(7)
Interest paid	(1)	(2)
Profit and loss transfers with Siemens Group	-	-
Dividends paid to Siemens Group	(230)	(122)
Dividends paid to non-controlling interest holders	(2)	(1)
Interest paid to Siemens Group	(61)	(62)
Other transactions/financing with Siemens Group	651	(43)
CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	356	(237)
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	1	-
CHANGE IN CASH AND CASH EQUIVALENTS	142	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	184	206
CASH AND CASH EQUIVALENTS AT END OF PERIOD	326	207

¹ Adjusted for effects of adopting IFRS 15, see Note 2 - Significant accounting policies and critical accounting estimates

V. COMBINED STATEMENTS OF CHANGES IN EQUITY

COMBINED STATEMENTS OF CHANGES IN EQUITY

FOR THE FIRST THREE MONTHS OF FISCAL 2018 AND 2017 ENDED DECEMBER 31, 2017 AND 2016

(in millions of €)	Net assets attributable to Siemens Group	Currency translation differences Siemens	Available- for-sale financial assets	Derivative financial instruments	Total equity attributable to Siemens Group	Non- controlling interests	Total equity
Balance as of October 1, 2016 ¹	3,239	(767)	-	-	2,472	33	2,505
Net income	359	-	-	-	359	2	361
Other comprehensive income	199	(193)	-	(11)	(5)	(3)	(8)
Total comprehensive income	558	(193)	-	(11)	354	(1)	353
Profit and loss transfer with Siemens Group	(285)	-	-	-	(285)	-	(285)
Dividends	(122)	-	-	-	(122)	(2)	(124)
Other changes in equity	233	-	-	-	233	(4)	229
Balance as of December 31, 2016	3,623	(960)	-	(11)	2,652	26	2,678
Balance as of October 1, 2017	4,045	(762)	-	(2)	3,281	8	3,289
Net income	307	-	-	-	307	3	310
Other comprehensive income	(31)	39	-	6	14	-	14
Total comprehensive income	276	39	-	6	321	3	324
Profit and loss transfer with Siemens Group	(651)	-	-	-	(651)	-	(651)
Dividends	(230)	-	-	-	(230)	(2)	(232)
Other changes in equity	802	-	-	-	802	1	803
Balance as of December 31, 2017	4,242	(723)	-	4	3,523	10	3,533

¹ Adjusted for effects of adopting IFRS 15, see Note 2 - Significant accounting policies and critical accounting estimates

Siemens Healthineers

Notes to the Condensed Combined Interim Financial Statements for the three months ended December 31, 2017

NOTE 1 Basis of preparation

Purpose and content of the Condensed Combined Interim Financial Statements

On August 3, 2017, Siemens AG announced its plans to publicly list the Siemens Healthineers Business in the form of an initial public offering (IPO). The parent company of Siemens Healthineers and thus the issuer of shares for the planned initial public offering will be Siemens Healthineers AG, located in Munich, Germany. Siemens Healthineers AG was established in a notarial foundation deed on December 1, 2017 and is since then included into the scope of combination of Siemens Healthineers.

Siemens Healthineers is to be separated from Siemens AG and its subsidiaries (“Siemens Group”) in two steps. In an initial preparatory step, activities that had not been conducted by separate companies have been transferred to separate legal entities. In a second step, all companies comprising the Siemens Healthineers business have been or will be bundled under Siemens Healthineers AG, and its direct and indirect subsidiaries.

According to the European Prospectus Regulation No. 809/2004, as amended (“EPV”), an issuer must present historical financial information covering the latest three fiscal years in its securities prospectus. In addition to the Combined Financial Statements for the fiscal years from October 1, 2016 to September 30, 2017 (“fiscal 2017”), from October 1, 2015 to September 30, 2016 (“fiscal 2016”) and from October 1, 2014 to September 30, 2015 (“fiscal 2015”), Siemens Healthineers presents Condensed Combined Interim Financial Statements for the three months ended December 31, 2017. According to the European Prospectus Regulation No. 211/2007 Siemens Healthineers AG, as the issuer, has a “Complex Financial History” as of the share issuance date. The historical financial information represents the Siemens Healthineers business (hereafter referred to as “Siemens Healthineers”) under the control of Siemens AG and managed centrally by the Managing Board of Siemens Healthineers.

The Condensed Combined Interim Financial Statements consist of Combined Statements of Income, Combined Statements of Comprehensive Income, Combined Statements of Financial Position, Combined Statements of Cash Flows, Combined Statements of Changes in Equity and Notes to the Condensed Combined Interim Financial Statements for the three months from October 1, 2017 to December 31, 2017 (collectively referred to hereafter as “Condensed Combined Interim Financial Statements”).

The Condensed Combined Interim Financial Statements have been prepared and published in million of euro (€ million). Rounding differences may occur in respect of individual amounts or percentages.

For further explanations of Siemens Healthineers and additional information reference is made to the *Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*. The Condensed Combined Interim Financial Statements should be read in conjunction with these *Combined Financial Statements*.

The Condensed Combined Interim Financial Statements are unaudited and were prepared on January 29, 2018 by the Managing Board of Siemens Healthineers.

Condensed Combined Interim Financial Statements

Siemens Healthineers has prepared the Condensed Combined Interim Financial Statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and, in particular, for interim financial information according to International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

Since IFRS provides no guidelines for the preparation of Condensed Combined Interim Financial Statements, rules given in IAS 8.12 have been used. IAS 8.12 requires the consideration of the most recent pronouncements of other standard-setting bodies, other financial requirements and recognized industry practices. Consistent with the *Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*, the predecessor accounting approach has been applied in the Condensed Combined Interim Financial Statements of Siemens Healthineers following IAS 8.12. Furthermore, the same combination rules have been applied as in the *Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*. The Management of Siemens Healthineers (as defined in *Note 7 – Related party transactions*) uses significant judgment in determining these combination rules. Thus, the Condensed Combined Interim Financial Statements presented here do not necessarily reflect the financial position and results of operations that would have occurred if Siemens Healthineers had existed as a separate group in the periods presented.

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Notes to the Condensed Combined Interim Financial Statements for the three months ended December 31, 2017

Scope of Combination

The scope of combination for the Condensed Combined Interim Financial Statements for the three months from October 1, 2017 to December 31, 2017 was determined on economic principles using the common management approach, i.e. the assets and liabilities which have been managed by the Managing Board of Siemens Healthineers throughout the periods presented were included in the scope of combination. Accordingly, the approach is not based on the legal structure of Siemens Healthineers in the periods presented. However, it is reflective of the target legal structure which will be in place prior to the IPO.

For a list of legal entities fully included in the Condensed Combined Interim Financial Statements as well as legal entities from which assets and liabilities already under the responsibility of the Managing Board of Siemens Healthineers have been included in the Condensed Combined Interim Financial Statements prior to their actual legal transfer, please see *Note 28 – Scope of combination* to the *Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*. Changes in the scope of combination compared to September 30, 2017, as presented in the *Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*, primarily consist of the acquisitions described below and the newly founded Siemens Healthineers AG.

The following acquisitions occurred during the periods presented in the Condensed Combined Interim Financial Statements:

Acquisition of Epocal

On October 31, 2017, Siemens Healthineers successfully completed the acquisition of all shares in Epocal, Inc. and selected assets (Epocal) from Alere Inc., due to their divestment of this business in connection with the review by the Federal Trade Commission and the European Commission of Abbott Laboratories agreement to acquire Alere. Epocal develops and provides point-of-care blood diagnostic systems for healthcare enterprises and it allows Siemens Healthineers to complete its blood gas portfolio. The acquired business is integrated in the Diagnostics segment.

The contractually agreed purchase price amounted to US\$200 million (€172 million as of the acquisition date) and was paid in cash.

The preliminary purchase price allocation as of the acquisition date resulted in Other intangible assets of €71 million, Property, plant and equipment of €13 million, Other tangible assets of €9 million, Deferred tax liabilities of €16 million and Other liabilities of €1 million. Other intangible assets mainly relate to technology of €47 million and customer-related intangible assets of €24 million. Goodwill of €96 million comprises intangible assets that are not separable such as employee know-how and expected synergy effects. Thereof, €35 million are expected to be deductible for tax purposes.

The purchase price allocation is preliminary as a detailed analysis of the assets and liabilities has not been finalized.

Acquisition of Fast Track Diagnostics (“FTD”)

On December 19, 2017 Siemens Healthineers successfully completed the acquisition of all shares in Luxembourg-based FTD Investments S.à r.l. FTD provides globally a broad range of diagnostic tests, covering major disease groups. The acquired business is integrated in the Diagnostics segment and allows Siemens Healthineers to underscore its commitment to molecular diagnostics.

The estimated purchase price amounted to €80 million as of the acquisition date. The closing payment of €60 million was paid in cash. The preliminary difference of €20 million is subject to post-closing adjustments.

The preliminary purchase price allocation as of the acquisition date resulted in Other intangible assets of €27 million, Cash and cash equivalents of €6 million, Other receivables of €2 million and Deferred tax liabilities of €8 million. Goodwill of €53 million comprises intangible assets that are not separable such as employee know-how and expected synergy effects.

The purchase price allocation is preliminary as a detailed analysis of the assets and liabilities has not been finalized.

Pensions and similar obligations

The Condensed Combined Interim Financial Statements of Siemens Healthineers present the pension obligations and corresponding plan assets allocated to Siemens Healthineers. The obligations were measured on the basis of expert actuarial valuations.

The pension obligations for active employees as well as for retirees and deferred vested were legally transferred mainly in line with the individual carve-outs from the Siemens Group to the newly founded Siemens Healthineers entities. Since plan assets are not managed separately for each participating company, they have been allocated to participating entities based on the allocated defined benefit obligation or the plan beneficiaries also taking into consideration any special legal requirements.

Due to the fact that the legal transfer of these plan assets has not yet been completed, the actual amounts of the plan assets to be transferred may differ from the allocated plan assets presented in the Condensed Combined Interim Financial Statements.

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Notes to the Condensed Combined Interim Financial Statements for the three months ended December 31, 2017

As a result of negotiations with the trustees related to the transfer of pension liabilities and plan assets from Siemens Group to Siemens Healthineers in the United Kingdom, it has been agreed that pension liabilities in an amount of €579 million and plan assets in an amount of €626 million (both as of November 30, 2017) are transferred back to Siemens Group. Accordingly, the pension liabilities and plan assets recognized in the Condensed Combined Interim Financial Statements are lower than in the *Combined Financial Statements of fiscal 2017, fiscal 2016 and fiscal 2015*.

Income Taxes and Deferred Taxes

In accordance with IAS 12, Income Taxes, current and deferred income taxes are recognized for the purposes of the Condensed Combined Interim Financial Statements taking into consideration local tax requirements. Income taxes are determined using the separate tax return approach under the assumption that the entities and operations of Siemens Healthineers constitute separate taxable entities.

This assumption implies that current and deferred taxes for all companies and operations and tax groups within Siemens Healthineers are calculated separately. The recoverability of deferred tax assets is assessed on this basis. In the Condensed Combined Interim Financial Statements deferred tax assets from tax loss carryforwards were recognized to the extent it is probable that they can be offset with future taxable income from the respective Siemens Healthineers' entities.

Tax receivables and liabilities as well as deferred tax assets on loss carryforwards of Siemens Healthineers entities and operations that did not constitute a separate tax payer in the periods presented were treated as contributions or transfers from reserves by shareholders, and are not included in the Condensed Combined Interim Financial Statements of Siemens Healthineers.

The Management of Siemens Healthineers deems the approach as appropriate though not necessarily indicative of the tax expense or income that would result for Siemens Healthineers as a separate group. For the purpose of the Condensed Combined Interim Financial Statements, tax expense is based on the current estimated annual effective tax rate of Siemens Healthineers in accordance with IAS 34, Interim Financial Reporting.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was signed into Law and it includes, among other measures, a reduction of the nationwide federal corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. As a result, Siemens Healthineers has a net positive impact of the tax position in an amount of €26 million in profit or loss and an expense of €29 million in other comprehensive income in the three months ended December 31, 2017.

Capital Structure

The equity of Siemens Healthineers consists of the net assets attributable to Siemens Healthineers, because Siemens Healthineers does not constitute a legal group during the periods presented.

The equity of Siemens Healthineers as presented in the Condensed Combined Interim Financial Statements has been impacted mainly by the following combination rules:

- a) any allocation of assets and liabilities to Siemens Healthineers in addition to those already included in the segment reporting for Healthineers as presented in the Consolidated Financial Statements of Siemens AG and prior to their actual legal transfer, was directly recognized in equity as withdrawal or contribution at the time of the allocation;
- b) any consideration given or received in the course of the formation of a group of entities either directly or indirectly controlled by Siemens Healthineers AG, was directly recognized in equity as withdrawal or contribution at the time of the transfer;
- c) any taxes paid from Siemens Group and related to Siemens Healthineers operations prior to the carve-out, was directly recognized in equity;
- d) any changes in the conversion of receivables and payables to cash related to Siemens Healthineers operations prior to the carve-out, was directly recognized in equity;

c) and d) are necessary because in the Siemens Consolidated Financial Statements cash balances are not allocated to the Siemens Group operating segments, but managed centrally. Additionally, in Siemens Group legal entities tax payments are not assigned to operating segments. Therefore, taxes paid from Siemens Group and related to Siemens Healthineers operations as well as conversions of receivables and payables to cash related to Siemens Healthineers operations prior to the carve-out of Siemens Healthineers operations are presented in equity as deemed contributions and withdrawals.

As the formation of Siemens Healthineers Group has not been finalized as of December 31, 2017, further changes in the capital structure may occur.

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Notes to the Condensed Combined Interim Financial Statements for the three months ended December 31, 2017

Related Party Transactions

Transactions between Siemens Healthineers and the remaining Siemens Group are recognized in accordance with IFRS and classified as related-party transactions.

Condensed Combined Interim Statements of Cash Flows

According to IAS 7, Cash Flow Statements, the Condensed Combined Interim Statements of Cash Flows of Siemens Healthineers contain operating, investing and financing activities. Cash transactions resulting from the central cash management operated by the Siemens Group throughout the periods presented as well as cash transactions with other Siemens Group entities in conjunction with the formation of the group of entities either directly or indirectly controlled by Siemens Healthineers AG, have been included in the line item *Other transaction/financing with Siemens Group* in the Cash Flows from Financing Activities of the Condensed Combined Interim Statements of Cash Flows.

NOTE 2 Significant accounting policies and critical accounting estimates

The accounting principles applied in the preparation of the Condensed Combined Interim Financial Statements as of and for the three months ended December 31, 2017 are consistent with those used in the preparation of the *Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*, except for the adoption of IFRS 15 as of October 1, 2017.

Key accounting estimates and judgments – Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change. Such critical accounting estimates could change from period to period and have a material impact on the results of operations, financial positions and cash flows of Siemens Healthineers. Critical accounting estimates could also involve estimates where Siemens Healthineers reasonably could have used a different estimate in the current accounting period. Siemens Healthineers cautions that future events often vary from forecasts and that estimates routinely require adjustment. Estimates and assumptions are reviewed on an on-going basis, and changes in estimates and assumptions are recognized in the period in which the changes occur and in future periods impacted by the changes.

From October 1, 2017, the useful life of instruments leased to customers in an operating lease in the segment Diagnostics, has been increased from five to seven years to reflect the updated expected utility of these assets to Siemens Healthineers.

The estimates in accordance with the basis of preparation made in these Condensed Combined Interim Financial Statements are consistent with estimates made for the same date in accordance with the reporting requirements under IFRS as part of the consolidation group of Siemens AG, unless there is objective evidence that those estimates are not a faithful representation on a stand-alone basis.

Recently adopted accounting pronouncements

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. According to the new standard, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which Siemens Healthineers expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue as well as related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted. Siemens Healthineers has adopted the standard for the fiscal year beginning as of October 1, 2017 retrospectively, i.e. the comparable period is presented in accordance with IFRS 15.

The application of IFRS 15 as of October 1, 2017 and the preparation of the comparable period for fiscal 2017 confirmed that there are no significant impacts on Siemens Healthineers' Financial Statements. Retained earnings as of October 1, 2016 increased by €98 million. The increase mainly arises from an earlier recognition of variable consideration components and as transfer of control may occur before the transfer of significant risks and rewards for certain goods.

According to IFRS 15, once either party to an existing contract (i.e. the customer or Siemens Healthineers) has performed, the contract is presented in the financial statements as a *Contract asset* or a *Contract liability*, depending on the relationship between Siemens Healthineers' performance and the customer's payment.

Therefore mainly two effects from IFRS 15 are reflected in the Combined Statement of Financial Position of Siemens Healthineers:

- Reclassifications due to the newly introduced balance sheet line items *Contract assets* and *Contract liabilities*, such as the reclassification of *advance payments received* from the line item *Inventories* to the line item *Contract liabilities* or the reclassification of *customer advances for service business* from the line item *Other current liabilities* to the line item *Contract liabilities*.
- An increase of *Contract assets* and a decrease of *Contract liabilities* resulting from the earlier revenue recognition under IFRS 15.

Please see for further details also *Note 26 – Effects from the adoption of IFRS 15 to the Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*.

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*Notes to the Condensed Combined Interim Financial Statements
for the three months ended December 31, 2017*

NOTE 3 Equity

As stated in *Note 1 – Basis of preparation*, Siemens Healthineers was not a legal group for Consolidated Financial Statements reporting purposes in accordance with IFRS 10, Consolidated Financial Statements, in the periods presented. The equity was presented on the basis of the aggregation of the net assets of the Siemens Healthineers business under the control of Siemens AG and centrally managed by the Managing Board of Siemens Healthineers.

Since Siemens Healthineers does not constitute a legal group in the periods presented, a presentation of earnings per share in accordance with IAS 33, Earnings per share, is not applicable.

Capital Management

Capital Management for Siemens Healthineers was performed by Siemens Group and includes the consideration of legal requirements relating to the equity and liquidity requirements of Siemens AG and Siemens Group during the periods presented.

Other changes in equity

During the periods presented in the Condensed Combined Interim Financial Statements, the line item *Other changes in equity* as included in the Condensed Combined Interim Statements of Changes in Equity mainly contains specifics in relation to the combination rules described in *Note 1 – Basis of preparation*. In particular, in the three months ended December 31, 2017, the line item *Other changes in equity* was mainly impacted by transactions with Siemens Group in connection with the formation as well as the future funding of the Siemens Healthineers Group. These transactions are also reflected in the increased receivables from and payables to Siemens Group.

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Notes to the Condensed Combined Interim Financial Statements for the three months ended December 31, 2017

NOTE 4 Financial instruments

The following table discloses the carrying amounts of each category of financial assets and financial liabilities:

			December 31, 2017	September 30, 2017
(in millions of €)	Category of financial assets and financial liabilities	Measurement/ Fair Value hierarchy	Carrying amount	Carrying amount
Loans and receivables	1) LaR	Amortized cost	2,401	2,468
Cash and cash equivalents	n.a.	-	326	184
Derivatives designated in a hedge accounting relationship	n.a.	Level 2	8	4
Derivatives not designated in a hedge accounting relationship	FAHfT	Level 2	9	7
Available-for-sale financial assets	2) AfS	At cost / Level 1	49	50
Receivables and other receivables from Siemens Group	LaR	Amortized cost	6,370	4,356
Financial assets			9,164	7,068
Financial liabilities measured at amortized costs	3) FLaC	Amortized cost	1,239	1,273
Derivatives designated in a hedge accounting relationship	n.a.	Level 2	2	6
Derivatives not designated in a hedge accounting relationship	FLHfT	Level 2	12	6
Payables and other liabilities to Siemens Group	FLaC	Amortized cost	13,336	10,962
Financial liabilities			14,590	12,248

Categories of financial assets and financial liabilities:

LaR = Loans and receivables, FAHfT = Financial assets held-for-trading, AfS = Available-for-sale; FLaC = Financial liabilities measured at amortized cost; FLHfT = Financial liabilities held-for-trading

The levels of the fair value hierarchy and its application to the financial assets and financial liabilities are described below:

Level 1: quoted prices in active markets for identical assets or liabilities;
 Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 Level 3: inputs for the asset or liability that are not based on observable market data.

1) Reported in the following line items: Trade and other receivables, Other current financial assets, Other financial assets - except for separately disclosed derivative financial instruments and available-for-sale financial assets

2) Thereof including equity instruments classified as available-for-sale, for which a fair value could not be reliably measured and which are recognized at cost (December 31, 2017: € 41 million, September 30, 2017: €42 million). In addition, the fair value (Level 1) of available-for-sales financial assets as of December 31, 2017 and September 30, 2017 amounting to €8 million and €8 million, respectively

3) Reported in the following line items: Short-term debt and current maturities of long-term debt, Trade payables, Other current financial liabilities, Long-term debt, Other financial liabilities - except for separately disclosed derivative financial instruments

The carrying amount of the other liabilities to Siemens Group (residual term > 1 year) which related to Siemens Healthineers' business in the United States was €4,973 million and €5,052 million as of December 31, 2017 and September 30, 2017, respectively, while the fair values amounted to €4,802 million and €4,883 million, respectively which are based on prices provided by price service agencies at the period-end date (Level 2). The fair value of the remaining long-term loans to Siemens Healthineers provided by Siemens Group approximate the carrying amount as the interest rates approximate market rates.

For further information related to the fair values of financial assets and liabilities, please see *Note 19 – Financial instruments and hedging activities* to the *Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*.

Siemens Healthineers

Notes to the Condensed Combined Interim Financial Statements for the three months ended December 31, 2017

NOTE 5 Segment information

(in millions of €)	External Revenue		Intersegment Revenue		Total Revenue		Profit	
	Three months ended December 31,		Three months ended December 31,		Three months ended December 31,		Three months ended December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
Imaging	1,878	1,922	66	60	1,943	1,983	371	415
Diagnostics	929	1,007	-	-	929	1,007	99	135
Advanced Therapies	364	359	4	2	368	361	82	89
Total Segments	3,171	3,289	70	62	3,241	3,351	552	639
Reconciliation	27	38	(70)	(62)	(42)	(24)	(132)	(118)
Siemens Healthineers	3,198	3,327	-	-	3,198	3,327	421	521

(in millions of €)	Assets		Free Cash Flow		Additions to intangible assets and property, plant and equipment and additions to assets leased to others in operating leases		Amortization, depreciation & impairments	
	Dec 31,	Sep 30,	Three months ended December 31,		Three months ended December 31,		Three months ended December 31,	
	2017	2017	2017	2016	2017	2016	2017	2016
Imaging	6,093	6,041	251	326	26	23	33	31
Diagnostics	4,324	3,915	(100)	(1)	91	88	46	57
Advanced Therapies	888	879	54	67	2	1	2	2
Total Segments	11,305	10,835	205	392	120	113	81	90
Reconciliation	12,314	10,278	(197)	(149)	29	23	42	50
Siemens Healthineers	23,619	21,113	9	243	148	135	124	141

Description of reportable segments

Siemens Healthineers defined three reportable segments as outlined below based on the announced new reporting structure.

For purposes of preparing these Condensed Combined Interim Financial Statements, the segment reporting as implemented is retrospectively applied to the periods presented:

- Imaging, which offers diagnostic imaging products and a broad portfolio of advanced imaging and ultrasound systems and solutions;
- Diagnostics offers products, services and solutions, including a broad array of testing applications, in the areas of laboratory, point of care and molecular diagnostics;
- Advanced Therapies is a supplier of advanced therapy products, services and solutions to the therapy departments of healthcare providers.

Siemens Healthineers

Notes to the Condensed Combined Interim Financial Statements for the three months ended December 31, 2017

Accounting policies and segment measurement principles are the same as those described in *Note 23 – Segment information* in the *Combined Financial Statements for fiscal 2017, fiscal 2016 and fiscal 2015*.

Siemens Healthineers' Revenues include revenues from lease contracts in the amount of €36 million and €44 million in the three months ended December 31, 2017 and 2016, respectively.

For each of the segments, revenue mainly results from performance obligations satisfied at a point in time, especially resulting from the sale of products across all segments including consumables and reagents in the Diagnostics segment.

The performance obligations related to maintenance contracts for products sold are generally satisfied over-time with revenue recognized on a straight-line basis.

Reconciliation to Condensed Combined Interim Financial Statements

| Profit

(in millions of €)	Three months ended December 31,	
	2017	2016
Total Segments	552	639
Centrally carried pension expense	(15)	(14)
Amortization of Intangible assets acquired in business combinations	(33)	(41)
Eliminations, Corporate Treasury, Corporate Items, other items	(84)	(64)
Reconciliation to Condensed Combined Interim Financial Statements	(132)	(118)
Siemens Healthineers - Income before income taxes	421	521

In the three months ended December 31, 2017 and 2016, Corporate Treasury includes interest expense of €61 million and €62 million respectively, related to loans with Siemens Group.

| Assets

(in millions of €)	Dec. 31,	Sep. 30,
	2017	2017
Total Segments	11,305	10,835
Assets pensions	20	24
Assets Real Estate	566	578
Asset-based adjustments		
Receivables from Siemens Group	6,370	4,356
Tax-related assets	506	485
Liability-based adjustments		
Payables and other liabilities to Siemens Group	13,336	10,962
Tax-related liabilities	417	487
Eliminations, Corporate Treasury, Corporate Items, other items	(8,901)	(6,613)
Reconciliation to Condensed Combined Interim Financial Statements	12,314	10,278
Siemens Healthineers – Total assets	23,619	21,113

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*Notes to the Condensed Combined Interim Financial Statements
for the three months ended December 31, 2017*

Free Cash Flow

(in millions of €)	Three months ended December 31,	
	2017	2016
Total Segments	205	392
Central Items	(78)	(47)
Tax-related Cash Flows	(119)	(101)
Other items	-	(2)
Siemens Healthineers – Free Cash Flow	9	243
Remaining Cash Flows from investing activities ¹	(224)	(5)
Cash Flows from financing activities	356	(237)
Effect of foreign exchange rates on cash and cash equivalents	1	-
Changes in cash and cash equivalents	142	1

¹ excluding additions to intangible assets and property, plant and equipment

Siemens Healthineers

Notes to the Condensed Combined Interim Financial Statements
for the three months ended December 31, 2017

NOTE 6 Information about geographies

The following table discloses the revenue by location of customers:

(in millions of €)	Three months ended December 31,	
	2017	2016
Europe, C.I.S., Africa, Middle East	1,079	1,044
Americas	1,234	1,400
Asia, Australia	885	883
Siemens Healthineers	3,198	3,327
<i>thereof Germany</i>	213	229
<i>thereof foreign countries</i>	2,985	3,098
<i>therein U.S.</i>	1,033	1,190

Siemens Healthineers

Notes to the Condensed Combined Interim Financial Statements for the three months ended December 31, 2017

NOTE 7 **Related party transactions**

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

Transactions with Siemens Group

Sales of goods and services and other income, as well as purchases of goods and services and other expense from transactions with the Siemens Group in the three months ended December 31, 2017 and 2016, are presented in the following table:

	Sales of goods and services and other income		Purchases of goods and services and other expenses	
	Three months ended December 31,		Three months ended December 31,	
(in millions of €)	2017	2016	2017	2016
Siemens Group	81	58	152	159

Sales to and purchases from Siemens Group

Supply and delivery agreements exist between Siemens Healthineers and Siemens Group. Siemens Healthineers is supplied by Siemens Group and delivers to Siemens Group goods and services on a case by case basis.

Other expenses

Siemens Group provides Siemens Healthineers with central corporate services, such as tax and legal, IT, corporate communications, HR, accounting, financial services and treasury in an amount of €115 million and €121 million in the three months ended December 31, 2017 and 2016.

Receivables from and payables to Siemens Group

Siemens Healthineers' receivables from and payables to Siemens Group are as follows:

	Receivables		Payables	
	Dec 31,	Sep 30,	Dec 31,	Sep 30,
(in millions of €)	2017	2017	2017	2017
Siemens Group	6,370	4,356	13,336	10,962
therein				
<i>from Siemens Credit Warehouse</i>	77	175	-	-
<i>from financing activities</i>	6,240	4,163	12,474	10,040
<i>from other items</i>	53	17	863	922

Siemens Healthineers

*Notes to the Condensed Combined Interim Financial Statements
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Siemens Credit Warehouse

In the past Siemens Healthineers participated in the factoring program called “Siemens Credit Warehouse”. Siemens Healthineers transferred trade receivables to Siemens Group including all relevant collection risks, but was still responsible for the administration of the trade receivables. Due to the planned termination of the participation in the Siemens Group factoring program, the transfer of trade receivables from Siemens Healthineers to Siemens Group was stopped in December 2017.

Financing

Siemens Healthineers is included in Siemens Group’s cash pooling and cash management. Siemens Healthineers invests excess short-term liquidity and is granted overdraft facilities for financing its operating activities.

The increase in the receivables from as well as the increase in the payables to Siemens Group from financing activities is mainly related to several transactions between Siemens Healthineers and Siemens Group in connection with the formation and the future funding of the Siemens Healthineers Group.

Other items

On November 26, 2014, Siemens AG and Siemens Healthcare GmbH concluded a domination and profit and loss transfer agreement (“Beherrschungs- und Gewinnabführungsvertrag”). In anticipation of the profit to be transferred to Siemens AG for the three months ended December 31, 2017, a liability to Siemens Group has been recognized in an amount of €651 million. The profit of Siemens Healthcare GmbH for the three months ended December 31, 2017, includes positive one-time effects of €414 million related to transactions in connection with the formation and the future funding of the Siemens Healthineers Group.

IPO costs

On December 22, 2017, Siemens AG and Siemens Healthcare GmbH, as the holding company for major parts of Siemens Healthineers, entered into an agreement pursuant to which Siemens AG agreed to provide certain services to Siemens Healthcare GmbH in order to support Siemens Healthcare GmbH in preparing the IPO. As consideration for the provision of the relevant services, Siemens Healthcare GmbH agreed to pay to Siemens AG a reasonable compensation, covering, in particular, the fees payable to third parties instructed (such as, for example, underwriters, legal counsels or auditors) or costs otherwise arising in the context of the IPO. In the three months ended December 31, 2017, a consideration in an amount of €8 million was paid by Siemens Healthcare GmbH to Siemens AG and is included in line item *Other operating expenses*.

Other material relationships with Siemens Group are described in the following:

Hedging

Siemens Healthineers’ hedging activities are performed mainly via Siemens Corporate Treasury of Siemens AG. The consideration is based on market rates. The related receivables and payables are mainly disclosed in the line item *Other current financial assets* and *Other current financial liabilities* in the Condensed Combined Interim Financial Statements.

Collaterals/global letters of support/guarantees

Siemens Group issues collaterals and credit letters in favor of Siemens Healthineers. The guarantees issued by Siemens Group amount to €448 million as of December 31, 2017 (September 30, 2017: €446 million).

Transactions with pension schemes and pension entities

In some countries, mainly in the U.K. and U.S., Siemens Healthineers participates in Siemens Group pension plans and trusts.

Siemens Healthineers

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Joint Ventures and Associates

In the three months ended December 31, 2017, Siemens Healthineers purchased goods and services from Siemens Healthineers joint ventures and associates in an amount of €17 million (three months ended December 31, 2016: €17 million).

Related individuals

In the periods presented, Siemens Healthineers had no parent company and was not a legal group for Consolidated Financial Statement reporting purposes in accordance with IFRS 10. The key management of Siemens Healthineers is therefore defined as those persons responsible for the worldwide operating business of Siemens Healthineers, based on their function within Siemens Healthineers. These are the members of Managing Board and the Supervisory Board of Siemens Healthcare GmbH.

In addition, Siemens Healthineers is controlled by the ultimate parent, Siemens AG. Therefore, Siemens AG's Management Board and Supervisory Board are deemed key management. Information related to Siemens AG's Management Board and Supervisory Board can be found in Siemens AG's publicly available financial statements.

There was no significant change in the nature and extent of the remuneration of the members of the Managing Board and the Supervisory Board of Siemens Healthcare GmbH.

Siemens Healthineers

*Notes to the Condensed Combined Interim Financial Statements
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NOTE 8 **Subsequent events**

In the period after the reporting date but prior to the issuance of the Condensed Combined Interim Financial Statements, further transactions have occurred in connection with the formation as well as the future funding of the Siemens Healthineers Group. This process is still ongoing as of the issuance date of the Condensed Combined Interim Financial Statements.

Siemens Healthineers

*Notes to the Condensed Combined Interim Financial Statements
for the three months ended December 31, 2017*

Munich, January 29, 2017

Siemens Healthineers

Dr. Bernd Montag
CEO

Dr. Jochen Schmitz
CFO