

Combined Financial Statements
for the fiscal years ended
September 30, 2017, 2016 and 2015

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

Siemens Healthineers

I. COMBINED STATEMENTS OF INCOME.....	3
II. COMBINED STATEMENTS OF COMPREHENSIVE INCOME	4
III. COMBINED STATEMENTS OF FINANCIAL POSITION	5
IV. COMBINED STATEMENTS OF CASH FLOWS	6
V. COMBINED STATEMENTS OF CHANGES IN EQUITY	7
NOTE 1 Basis of preparation	8
NOTE 2 Significant accounting policies and critical accounting estimates.....	12
NOTE 3 Income taxes	17
NOTE 4 Trade and other receivables	19
NOTE 5 Other current financial assets.....	20
NOTE 6 Other current assets	21
NOTE 7 Inventories.....	21
NOTE 8 Goodwill	22
NOTE 9 Other intangible assets and property, plant and equipment.....	23
NOTE 10 Other financial assets.....	25
NOTE 11 Other assets	26
NOTE 12 Other current liabilities	27
NOTE 13 Other liabilities	28
NOTE 14 Debt.....	28
NOTE 15 Provisions for pensions and similar obligations.....	29
NOTE 16 Provisions	35
NOTE 17 Equity	36
NOTE 18 Commitments and other financial obligations	37
NOTE 19 Financial instruments and hedging activities.....	38
NOTE 20 Financial risk management	40
NOTE 21 Share-based payments.....	44
NOTE 22 Personnel costs.....	46
NOTE 23 Segment information	47
NOTE 24 Information about geographies.....	50
NOTE 25 Related party transactions.....	51
NOTE 26 Effects from the adoption of IFRS 15.....	54
NOTE 27 Subsequent events	56
NOTE 28 Scope of combination	57

I. COMBINED STATEMENTS OF INCOME

COMBINED STATEMENTS OF INCOME

FOR THE FISCAL YEARS ENDED SEPTEMBER, 30, 2017, 2016 AND 2015

(in millions of €)	Note	2017	2016	2015
Revenue		13,796	13,547	12,936
Cost of sales		(8,034)	(8,080)	(7,867)
Gross profit		5,762	5,467	5,069
Research and development expenses		(1,253)	(1,145)	(1,055)
Selling and general administrative expenses		(2,222)	(2,206)	(2,109)
Other operating income		22	19	79
Other operating expenses		(19)	(18)	(21)
Income from investments accounted for using the equity method, net		9	6	9
Interest income		12	14	19
Interest expenses		(267)	(216)	(117)
Other financial income (expenses), net		-	(3)	2
Income before income taxes		2,044	1,918	1,876
Income tax expenses	3	(600)	(590)	(584)
Net income		1,444	1,328	1,292
Attributable to:				
Non-controlling interests		17	17	15
Siemens Group		1,427	1,311	1,277

II. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

COMBINED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017, 2016 AND 2015

(in millions of €)	Note	2017	2016	2015
Net Income		1,444	1,328	1,292
Remeasurements of defined benefit plans		277	(306)	(29)
Remeasurement - before income taxes	15	396	(426)	(59)
Income tax effects		(119)	120	29
Items that will not be reclassified to profit or loss		277	(306)	(29)
Currency translation differences		9	(59)	(402)
Available-for-sale financial assets		-	(1)	1
therein: Income tax effects		-	-	-
Derivative financial instruments		(2)	(6)	28
therein: Income tax effects		-	5	(14)
Items that may be reclassified subsequently to profit or loss		7	(66)	(373)
Other comprehensive income, net of income taxes		284	(372)	(402)
Total comprehensive income		1,728	956	890
Attributable to:				
Non-controlling interests		18	22	16
Siemens Group		1,710	934	874

III. COMBINED STATEMENTS OF FINANCIAL POSITION

COMBINED STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2017, 2016 AND 2015

(in millions of €)	Note	2017	2016	2015
Assets				
Cash and cash equivalents		184	206	73
Trade and other receivables	4	2,200	2,080	1,875
Other current financial assets	5	57	70	78
Receivables from Siemens Group	25	2,991	3,952	4,056
Inventories	7	1,323	1,308	1,259
Current income tax assets	3	79	70	29
Other current assets	6	276	236	183
Total current assets		7,110	7,922	7,553
Goodwill	8	7,992	8,301	8,273
Other intangible assets	9	1,525	1,585	1,599
Property, plant and equipment	9	1,566	1,524	1,305
Investments accounted for using the equity method		33	35	37
Other financial assets	10	162	151	147
Other receivables from Siemens Group	25	1,365	-	-
Deferred tax assets		419	524	299
Other assets	11	268	253	244
Total non-current assets		13,330	12,373	11,904
Total assets		20,440	20,295	19,457
Liabilities and equity				
Short-term debt and current maturities of long-term debt	14	55	45	8
Trade payables		1,120	996	942
Other current financial liabilities		72	105	94
Payables to Siemens Group	25	5,795	5,982	10,480
Current provisions	16	314	318	294
Current income tax liabilities	3	122	113	137
Other current liabilities	12	1,797	1,745	1,690
Total current liabilities		9,275	9,304	13,645
Long-term debt	14	15	14	14
Provisions for pensions and similar obligations	15	1,732	2,132	1,245
Deferred tax liabilities		243	197	159
Provisions	16	153	148	145
Other financial liabilities		23	17	13
Other liabilities	13	590	591	495
Other liabilities to Siemens Group	25	5,167	5,485	13
Total non-current liabilities		7,923	8,584	2,084
Total liabilities		17,198	17,888	15,729
Net assets attributable to Siemens Group		3,995	3,141	4,385
Other components of equity		(761)	(767)	(696)
Total equity attributable to Siemens Group		3,234	2,374	3,689
Non-controlling interests		8	33	39
Total equity	17	3,242	2,407	3,728
Total liabilities and equity		20,440	20,295	19,457

IV. COMBINED STATEMENTS OF CASH FLOWS

COMBINED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017, 2016 AND 2015

(in millions of €)	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	1,444	1,328	1,292
Adjustments to reconcile net income to cash flows from operating activities			
Amortization, depreciation and impairments	572	591	563
Income tax expenses	600	590	584
Interest expenses, net	255	202	99
Income related to investing activities	(12)	-	(69)
Other income from investments	(9)	(6)	(7)
Other non-cash (income) expenses	45	(2)	32
Change in current assets and liabilities	(123)	(49)	122
Change in other assets and liabilities	(34)	75	(40)
Additions to assets leased to others in operating leases	(220)	(216)	(190)
Income taxes paid	(192)	(264)	(143)
Income taxes paid by Siemens Group on behalf of Siemens Healthineers	(375)	(422)	(362)
Dividends received	9	7	6
Interest received	15	15	14
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	1,975	1,849	1,901
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets and property, plant and equipment	(466)	(424)	(356)
Purchase of investments	-	(4)	(2)
Acquisitions of businesses, net of cash acquired	(6)	(15)	-
Disposal of investments, intangibles and property, plant and equipment	19	7	6
Disposal of businesses, net of cash disposed	-	-	363
CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES	(453)	(436)	11
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in short-term debt and other financing activities	6	22	(8)
Interest paid	(5)	(2)	(4)
Profit and loss transfers with Siemens Group	(815)	(909)	(806)
Dividends paid to Siemens Group	(352)	(377)	(148)
Dividends paid to non-controlling interest holders	(3)	(3)	(3)
Interest paid to Siemens Group	(245)	(177)	(82)
Other transactions/financing with Siemens Group	(118)	167	(802)
CASH FLOWS PROVIDED BY / (USED IN) FINANCING ACTIVITIES	(1,532)	(1,279)	(1,853)
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(12)	(1)	(5)
CHANGE IN CASH AND CASH EQUIVALENTS	(22)	133	54
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	206	73	19
CASH AND CASH EQUIVALENTS AT END OF PERIOD	184	206	73

V. COMBINED STATEMENTS OF CHANGES IN EQUITY

COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017, 2016 AND 2015

(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, 2014	5,629	(300)	-	(22)	5,307	47	5,354
Net income	1,277	-	-	-	1,277	15	1,292
Other comprehensive income	(29)	(403)	1	28	(403)	1	(402)
Total comprehensive income	1,248	(403)	1	28	874	16	890
Profit and loss transfer with Siemens Group	(806)	-	-	-	(806)	-	(806)
Dividends	(148)	-	-	-	(148)	(3)	(151)
Transfer of pension liabilities, net of tax	-	-	-	-	-	-	-
Other changes in equity	(1,538)	-	-	-	(1,538)	(21)	(1,559)
Balance as of September 30, 2015	4,385	(703)	1	6	3,689	39	3,728
Balance as of October 1, 2015	4,385	(703)	1	6	3,689	39	3,728
Net income	1,311	-	-	-	1,311	17	1,328
Other comprehensive income	(306)	(64)	(1)	(6)	(377)	5	(372)
Total comprehensive income	1,005	(64)	(1)	(6)	934	22	956
Profit and loss transfer with Siemens Group	(909)	-	-	-	(909)	-	(909)
Dividends	(377)	-	-	-	(377)	(3)	(380)
Transfer of pension liabilities, net of tax	(319)	-	-	-	(319)	-	(319)
Other changes in equity	(644)	-	-	-	(644)	(25)	(669)
Balance as of September 30, 2016	3,141	(767)	-	-	2,374	33	2,407
Balance as of October 1, 2016	3,141	(767)	-	-	2,374	33	2,407
Net income	1,427	-	-	-	1,427	17	1,444
Other comprehensive income	277	8	-	(2)	283	1	284
Total comprehensive income	1,704	8	-	(2)	1,710	18	1,728
Profit and loss transfer with Siemens Group	(815)	-	-	-	(815)	-	(815)
Dividends	(352)	-	-	-	(352)	(3)	(355)
Transfer of pension liabilities, net of tax	-	-	-	-	-	-	-
Other changes in equity	317	-	-	-	317	(40)	277
Balance as of September 30, 2017	3,995	(759)	-	(2)	3,234	8	3,242

NOTE 1 Basis of preparation

Purpose and content of the Combined 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, a company which was established prior to the issuance of the Combined Financial Statements, but had not been established by September 30, 2017.

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. Therefore, Siemens Healthineers presents historical financial information 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”). 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 Combined 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 Combined Financial Statements for the fiscal years ended September 30, 2017, 2016 and 2015 (collectively referred to hereafter as “Combined Financial Statements”).

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

The Combined Financial Statements were prepared on January 8, 2018 by the Managing Board of Siemens Healthineers.

Definition of Siemens Healthineers

Siemens Healthineers is one of the world’s largest suppliers of technology to the healthcare industry and a leader in diagnostic imaging and laboratory diagnostics. It provides medical technology and software solutions as well as clinical consulting services, supported by a complete set of training and service offerings. This comprehensive portfolio supports customers along the continuum of care – from prevention and early detection to diagnosis, treatment and follow-up care.

Siemens Healthineers’ operations include:

- 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.

Combined Financial Statements

Siemens Healthineers has prepared these Combined Financial Statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

Since IFRS provides no guidelines for the preparation of Combined 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.

Following IAS 8.12, the predecessor accounting approach has been applied in the Combined Financial Statements of Siemens Healthineers. The Combined Financial Statements of Siemens Healthineers reflect the Siemens Healthineers entities and the operations assigned to Siemens Healthineers as historically included in the IFRS Consolidated Financial Statement of Siemens AG. Siemens Healthineers applies the same accounting policies and measurement principles in preparing the Combined Financial Statements as used by the Siemens Healthineers entities and operations in preparing their financial information for inclusion in the IFRS Consolidated Financial Statements of Siemens AG.

The Combined Financial Statements for Siemens Healthineers are derived from the segment reporting for Healthineers as presented in the Consolidated Financial Statements of Siemens AG. This segment reporting included certain cost allocations for centrally managed functions prior to the legal separation which afterwards are regulated by service level agreements. In addition, in order to reflect the assets, liabilities, income and expenses that fall within the scope of Siemens Healthineers, the following combination rules have been applied. The Management of Siemens Healthineers (as defined in *Note 25 – Related party transactions*) uses significant judgment in determining these combination rules. Thus, the Combined 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.

Scope of combination

The scope of combination for the Combined Financial Statements of Siemens Healthineers for the fiscal years ended September 30, 2017, September 30, 2016 and September 30, 2015 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. Consequently, business operations classified as discontinued operations in the Consolidated Financial Statements of Siemens AG during the periods presented and related to the Siemens Healthineers business have been excluded from the scope of combination for all periods presented. This refers to the assets, liabilities and contingent liabilities as well as the proceeds from the sale of the customer health service business unit to the US-based company Cerner Corp in 2014 and from the sale of the hearing aids business to the investment company EQT in 2015.

For a list of legal entities fully included in the Combined 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 Combined Financial Statements prior to their actual legal transfer, please refer to *Note 27 – Scope of combination*.

During the period presented in the Combined Financial Statements, the following acquisitions and disposals occurred:

Acquisitions

Siemens Healthineers acquired the following businesses which were not material, either individually or in aggregate, and included them in the Combined Financial Statements:

- In March 2016, all shares of Neo New Oncology AG (“NEO”) were acquired. NEO provides a platform based on hybrid capture-based next generation sequencing (NGS) technology, which facilitates analysis of tumor and therapy-relevant gene segments in an efficient and time-saving multiplex procedure.
- In October 2016, all shares of Conworx Technology GmbH (“Conworx”) were acquired. Conworx offers a complete point-of-care device network along with all associated data management.
- In June 2017, Medicalis Corporation (“Medicalis”), a health care information technology company that provides clinical workflow and decision support solution, was acquired.

Disposals

In January 2015, Siemens Healthineers sold its microbiology business to Beckman Coulter Inc., a wholly owned subsidiary of Danaher Corporation. The activities of the microbiology business include systems for the identification and antibiotic susceptibility testing of microorganisms. The sale resulted in a gain of €64 million which was recognized in the line item *Other operating income*. The microbiology assets and liabilities were previously classified as held-for-sale.

Pensions and similar obligations

The Combined 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 were legally transferred mainly in line with the individual carve-outs from the Siemens Group to the newly founded Siemens Healthineers entities. Therefore, the majority of pension liabilities had legally been transferred either during fiscal 2015 or at the beginning of fiscal 2016. To ensure comparability throughout all periods presented in the Combined Financial Statements, pension obligations have retrospectively been allocated to Siemens Healthineers for the period prior to the legal carve-outs. This allocation has been performed based on an allocation key derived from the first actuarial reports after the carve-out. Pension obligations for retirees in Germany which were transferred to Siemens Healthineers in fiscal 2016 are included in the Combined Financial Statements from the legal transfer date onwards.

Plan assets have been allocated by taking into consideration specific legal requirements for the major relevant countries. Where the respective employee has a right to claim a minimal funding or the plan assets were already allocated to individual employee accounts, plan assets have been retrospectively allocated to Siemens Healthineers for the period prior to the legal transfer of the assets. 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 plan assets presented in the Combined Financial Statements.

For further details please also refer to *Note 15 – Provisions for pensions and similar obligations*.

Income Taxes and Deferred Taxes

In accordance with IAS 12, “Income Taxes”, current and deferred income taxes are recognized for the purposes of the Combined 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 Combined Financial Statements deferred tax assets from tax loss carryforwards were recognized to 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 previous years were treated as contributions or transfers from reserves by shareholders, and are not included in the Combined Financial Statements of Siemens Healthineers.

The Management of Siemens Healthineers deems the approach as appropriate though not necessarily indicative of the tax expenses or income that would result for Siemens Healthineers as a separate group.

For further details please also refer to *Note 3 – Income taxes*.

Real Estate Assets

Assets that have been leased from Siemens Real Estate and transferred to Siemens Healthineers in line with the legal reorganization have been included in the Combined Financial Statement from the occurrence of their legal transfer.

Capital Structure

The equity of Siemens Healthineers consists of the net assets attributable to Siemens Healthineers. The Combined Financial Statements do not show any subscribed capital, because Siemens Healthineers does not constitute a legal group during the periods presented.

The equity of Siemens Healthineers as presented in the Combined 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, were 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, were directly recognized in equity;

c) and d) are necessary because in the Consolidated Financial Statements of Siemens AG 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 or withdrawals.

As the formation of Siemens Healthineers Group has not been finalized as of September 30, 2017, further changes in the capital structure may occur.

Related Party Transactions

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

For further details please also refer to *Note 25 – Related party transactions*.

Combined Statements of Cash Flows

According to IAS 7, Cash Flow Statements, the Combined 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 period 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 transactions/ financing with Siemens Group* in the Cash Flows from Financing Activities of the Combined Statements of Cash Flows.

NOTE 2 Significant accounting policies and critical accounting estimates

The accounting principles set out below have, unless stated otherwise, been applied consistently for all periods presented in these Combined Financial Statements.

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.

The estimates in accordance with the basis of preparation made in these Combined 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 in accordance with IFRS on a stand-alone basis. The areas involving a high degree of judgment and where estimates and assumptions are significant to the Combined Financial Statements are disclosed.

Business combinations – Cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Foreign currency translation – Assets and liabilities of foreign subsidiaries, where the functional currency is other than the euro, are translated using the spot exchange rate at the end of the reporting period, while the Combined Statements of Income are translated using average exchange rates of the respective periods. Differences arising from such translations are recognized within equity and reclassified to net income when the gain or loss on disposal of the foreign operation is recognized. The Combined Statements of Cash Flows are translated at average exchange rates of the respective periods, whereas cash and cash equivalents are translated at the spot exchange rate at the end of the reporting period.

Foreign currency transaction – Transactions that are denominated in a currency other than the functional currency of an entity, are recorded at that functional currency applying the spot exchange rate at the date when the underlying transactions are initially recognized. At the end of the reporting period, foreign currency-denominated monetary assets and liabilities are revalued to functional currency applying the spot exchange rate prevailing at that date. Gains and losses arising from these foreign currency revaluations are recognized in net income. Those foreign currency-denominated transactions which are classified as non-monetary are remeasured using the historical spot exchange rate.

Revenue recognition – Under the condition that persuasive evidence of an arrangement exists, revenue is recognized to the extent that it is probable that the economic benefits will flow to Siemens Healthineers and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks, the revenue recognized is subject to the amount of payments irrevocably received.

Sale of goods: Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services: Revenue from services arises mainly from long-term service contracts recognized on a straight-line basis over the term of the contract.

Sales from multiple element arrangements: Sales of goods and services as well as software arrangements often involve the provision of multiple elements. In these cases Siemens Healthineers determines whether the contract or arrangement contains more than one unit of accounting. If certain criteria are met, foremost if the delivered element(s) has (have) value to the customer on a stand-alone basis, the arrangement is separated and the appropriate revenue recognition convention is then applied to each separate unit of accounting. Generally, the total arrangement consideration is allocated to the separate units of accounting based on their relative fair values. If the criteria for the separation of units of accounting are not met, revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered.

Income from interest: Interest is recognized using the effective interest method.

Income from leases: Operating lease income for equipment rentals is recognized on a straight-line basis over the lease term. Receivables from finance leases, in which Siemens Healthineers as lessor transfers substantially all the risks and rewards incidental to ownership to the customer are recognized at an amount equal to the net investment in the lease. Finance income is subsequently recognized based on a pattern reflecting a constant periodic rate of return on the net investment using the effective interest method.

Functional costs – In general, operating expenses by types are assigned to the functions following the functional area of the corresponding profit and cost centers. Amortization, depreciation and impairment of intangible assets and property, plant and equipment are included in functional costs depending on the use of the assets.

Product-related expenses – Provisions for estimated costs related to product warranties are recorded in line item Cost of sales at the time the related sale is recognized.

Research and development costs – Costs of research activities are expensed as incurred. Costs of development activities are capitalized when the recognition criteria in IAS 38 are met. Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally three to 13 years.

Goodwill – Goodwill is not amortized, instead, goodwill is tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses. The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units, represented by a segment. This is the lowest level at which goodwill is monitored for internal management purposes. During the periods presented, goodwill was tested for impairment based on the cash-generating unit structure used at that time by Siemens Group to monitor goodwill as Siemens Healthineers and the new reporting structure did not exist in the past.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or the group of cash-generating units that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or the group of cash-generating units, to which the goodwill is allocated, exceeds its recoverable amount, an impairment loss on goodwill allocated to this cash-generating unit or this group of cash-generating units is recognized. The recoverable amount is the higher of the cash-generating unit's or the group of cash-generating units' fair value less costs to sell and its value in use. If either of these values exceeds the carrying amount, it is not always necessary to determine both values. These values are generally determined based on discounted cash flow calculations. Impairment losses on goodwill are not reversed in future periods.

The determination of the recoverable amount of a cash-generating unit or a group of cash-generating units to which goodwill is allocated involves the use of estimates by management. The outcome predicted by these estimates is influenced e.g. by the successful integration of acquired entities, volatility of capital markets, interest rate developments, foreign exchange rate fluctuations and the outlook on economic trends. In determining recoverable amounts, discounted cash flow calculations use five-year projections that are based on financial forecasts. Cash flow projections take into account past experience and represent management's best estimate about future developments. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell and value in use include estimated growth rates and weighted average cost of capital. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Other intangible assets – Siemens Healthineers amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives. Estimated useful lives for patents, licenses and other similar rights generally range from three to five years, except for intangible assets with finite useful lives acquired in business combinations. Intangible assets acquired in business combinations primarily consist of customer relationships and trademarks as well as technology. Useful lives in specific acquisitions range from four to 15 years for customer relationships and trademarks and from five to 16 years for technology.

Property, plant and equipment – is valued at cost less accumulated depreciation and impairment losses. Depreciation expense is recognized using the straight-line method. The following useful lives are assumed:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery & equipment	5 to 10 years
Furniture & office equipment	generally 5 years
Equipment leased to others	generally 5 to 8 years

Impairment of property, plant and equipment and other intangible assets – Siemens Healthineers reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, intangible assets not yet available for use are subject to an annual impairment test. Impairment testing of property, plant and equipment and other intangible assets involves the use of estimates in determining the assets' recoverable amount which can have a material impact on the respective values and ultimately the amount of any impairment.

Income taxes – Tax positions under respective local tax laws and tax authorities' views can be complex and subject to different interpretations of tax payers and local tax authorities. Different interpretations of tax laws may result in additional tax payments for prior years and are taken into account based on management's considerations. Under the liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date in the respective jurisdiction. Deferred tax assets are recognized if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, Siemens Healthineers evaluates the recoverability of deferred tax assets, based on projected future taxable profits. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, Siemens Healthineers believes it is probable to realize the benefits of these deductible differences. As future developments are uncertain and partly beyond Siemens Healthineers' control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption.

Inventories – Inventories are valued at the lower of acquisition or production costs and net realizable value, costs being generally determined on the basis of an average or first-in, first-out method.

Defined benefit plans – Siemens Healthineers measures the entitlements by applying the projected unit credit method. The approach reflects an actuarially calculated net present value of the future benefit entitlement for services already rendered. In determining the net present value of the future benefit entitlement for service already rendered (Defined Benefit Obligation (DBO)), the expected rates of future salary increase and expected rates of future pension progression are considered. The assumptions used for the calculation of the DBO as of the period-end of the preceding fiscal year are used to determine the calculation of service cost and interest income and expense of the following year. The net interest income or expense for the fiscal year will be based on the discount rates for the respective year multiplied by the net defined benefit liability (asset) at the preceding fiscal year's period-end date.

Service cost, past service cost and settlement gains (losses) for pensions and similar obligations as well as administration costs unrelated to the management of plan assets are allocated among functional costs. Past service cost and settlement gains (losses) are recognized immediately in profit or loss. For unfunded plans, the amount of the line item *Provisions for pensions and similar obligations* equals the DBO. For funded plans, Siemens Healthineers offsets the fair value of the plan assets with the DBO. Siemens Healthineers recognizes the net amount, after adjustments for effects relating to any asset ceiling.

Remeasurements comprise actuarial gains and losses as well as the difference between the return on plan assets and the amount included in net interest on the net defined benefit liability (asset). They are recognized in the line item *Other comprehensive income, net of income taxes*.

Actuarial valuations rely on key assumptions including discount rates, expected compensation increases, rate of pension progression and mortality rates. Discount rates used are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bond yields. Due to changing market, economic and social conditions, the underlying key assumptions may differ from actual developments.

Provisions – A provision is recognized in the Statement of Financial Position when it is probable that Siemens Healthineers has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognized as a provision.

Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations, legal and regulatory proceedings as well as governmental investigations (Legal Proceedings). Siemens Healthineers records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue.

Legal Proceedings often involve complex legal issues and are subject to substantial uncertainties. Accordingly, considerable judgment is part of determining whether it is probable that there is a present obligation as a result of a past event at the end of the reporting period, whether it is probable that such a Legal Proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. Internal and external counsels are generally part of the determination process. Due to new developments, it may be necessary, to record a provision for an ongoing Legal Proceeding or to adjust the amount of a previously recognized provision. Upon resolution of a Legal Proceeding, Siemens Healthineers may incur charges in excess of the recorded provisions for such matters. The outcome of Legal Proceedings may have a material effect on Siemens Healthineers' financial position, its results of operations and/or its cash flows.

Termination benefits – Termination benefits are provided as a result of an entity's offer made in order to encourage voluntary redundancy before the normal retirement date or from an entity's decision to terminate the employment. Termination benefits in accordance with IAS 19, Employee Benefits, are recognized as a liability and an expense when the entity can no longer withdraw the offer of those benefits.

Financial instruments – A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Siemens Healthineers does not use the category held-to-maturity and does not use the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortized cost and financial assets and financial liabilities measured at fair value and as receivables from finance leases. Regular way sales of financial assets are accounted for at the trade date. Initially, financial instruments are recognized at their fair value. Transaction costs are only included in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned - cash and cash equivalents, available-for-sale financial assets, loans and receivables, financial liabilities measured at amortized cost or financial assets and liabilities classified as held for trading.

Cash and cash equivalents – Siemens Healthineers considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Loans and receivables – Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognized using separate allowance accounts. The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. For the determination of the country-specific component of the individual allowance, Siemens Healthineers also considers country credit ratings, which are based on information from external rating agencies. Regarding the determination of the valuation allowance derived from a portfolio-based analysis of historical bad debts, a decline of receivables in volume results in a corresponding reduction of such provisions and vice versa.

Financial liabilities – Siemens Healthineers measures financial liabilities, except for derivative financial instruments, at amortized cost using the effective interest method.

Derivative financial instruments – Derivative financial instruments, such as foreign currency exchange contracts are measured at fair value and classified as held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. Changes in the fair value of derivative financial instruments are recognized either in net income or, in the case of a cash flow hedge, in line item *Other comprehensive income, net of income taxes* (applicable deferred income tax).

Cash flow hedges: The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognized in line item *Other comprehensive income, net of income taxes* (applicable deferred income tax), and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

Share-based payment – Share-based payment awards at Siemens Healthineers are predominately classified as cash-settled to fulfill the specific requirements for share-based payment transactions among group entities. Fair value is measured at grant date, updated each quarter and expensed over the vesting period. Fair value is determined as the market price of Siemens AG shares, considering dividends during the vesting period the grantees are not entitled to and market conditions and non-vesting conditions, if applicable.

Expenses related to share-based payment awards for Siemens Healthineers employees, which were granted by a Siemens Group entity and for which the contractual obligation to settle the share-based payment liability has not been transferred to Siemens Healthineers, are included in the Combined Financial Statements as equity-settled awards.

Recent accounting pronouncements, not yet adopted

The following pronouncements, issued by the International Accounting Standards Board (“IASB”), are not yet effective and have not yet been adopted by Siemens Healthineers:

In July 2014, the IASB issued IFRS 9, Financial Instruments. IFRS 9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity’s risk management activities especially with regard to managing non-financial risks. The new standard is effective for annual reporting periods beginning on or after January 1, 2018. Siemens Healthineers will adopt IFRS 9 for the fiscal year beginning as of October 1, 2018 and will not adjust comparative figures for the preceding fiscal year, in accordance with IFRS 9 transitional provisions. Siemens Healthineers is currently assessing the effects of the adoption of IFRS 9 and expects only limited impact on the financial statements. Siemens Healthineers will adopt the IFRS 9 hedge accounting rules prospectively from October 1, 2018. It is expected that all existing hedge accounting relationships will also meet the hedge accounting requirements under IFRS 9.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. For further details please refer to *Note 26 – Effects from the adoption of IFRS 15*.

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee’s lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognize right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Siemens Healthineers will adopt the standard for the fiscal year beginning as of October 1, 2019, presumably by applying the modified retrospective approach, i.e. comparative figures for the preceding year would not be adjusted. Currently, it is expected that the majority of the transition effect relates to real estate leased by Siemens Healthineers. Siemens Healthineers is currently assessing the impact of adopting IFRS 16 on the financial statements.

In May 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, while earlier application is permitted. Siemens Healthineers is currently assessing the impacts of adopting the interpretation on the financial statements.

In addition to the standards presented above in detail, the IASB has issued further standards, interpretations and amendments to standards and interpretations whose application is also not yet mandatory and which in part require EU endorsement before they can be applied. Siemens Healthineers currently assumes that the application of these standards, interpretations and amendments will not have a material impact on the presentation of the financial statements.

NOTE 3 **Income taxes**

Income tax expense consists of the following:

(in millions of €)	Fiscal year		
	2017	2016	2015
Current tax	567	584	561
Deferred tax	33	6	23
Income tax expenses	600	590	584

The current income tax expenses in fiscal 2017, 2016 and 2015 include adjustments recognized for current tax of prior years in the amount of €62 million, €38 million and €(18) million, respectively. The deferred tax expense (benefit) in fiscal 2017, 2016 and 2015 includes tax effects of the origination and reversal of temporary differences of €49 million, €6 million and €(7) million, respectively.

In Germany, the calculation of current tax is based on a combined tax rate of 31%, consisting of a corporate tax rate of 15%, a solidarity surcharge thereon of 5.5% and an average trade tax rate of 15%. For foreign subsidiaries, current taxes are calculated based on the local tax laws and applicable tax rates in the individual foreign countries. Deferred tax assets and liabilities in Germany and abroad are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Income tax expense (current and deferred) differs from the amounts computed by applying a combined statutory German income tax rate of 31% as follows:

(in millions of €)	Fiscal year		
	2017	2016	2015
Expected income tax expenses	634	595	581
Increase (decrease) in income taxes resulting from:			
Non-deductible losses and expenses	21	15	92
Tax-free income	(23)	(27)	(35)
Taxes for prior years	43	67	(14)
Change in realizability of deferred tax assets and tax credits	(7)	(8)	(5)
Change in tax rates	2	7	(7)
Foreign tax rate differential	(68)	(60)	(36)
Other, net	(2)	1	8
Actual income tax expenses	600	590	584

Deferred income tax assets and liabilities on a gross basis are summarized as follows:

(in millions of €)	Sep 30,		
	2017	2016	2015
Assets			
Non-current and current assets	416	411	404
Liabilities and Post-employment benefits	757	851	702
Other	60	65	63
Tax loss and credit carryforward	88	70	62
Deferred tax assets	1,321	1,397	1,231
Liabilities			
Non-current and current assets	996	937	967
Liabilities	145	132	123
Other	3	1	1
Deferred tax liabilities	1,145	1,071	1,091
Total deferred tax assets, net	176	327	140

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

(in millions of €)	Sep 30,		
	2017	2016	2015
Deductible temporary differences	260	-	-
Tax loss carryforward	124	8	9
	384	8	9

As of September 30, 2017, 2016 and 2015, €8 million, €5 million and €6 million of the unrecognized tax loss carryforwards expire over the periods to 2026.

Siemens Healthineers has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of €3,003 million, €3,057 million and €2,614 million, respectively in fiscal 2017, 2016 and 2015 because the earnings are intended to be permanently reinvested in the subsidiaries.

Income taxes included in the Combined Statements of Income and recognized directly in equity are as follows:

(in millions of €)	Fiscal year		
	2017	2016	2015
Income tax expenses	600	590	584
(Income) expenses recognized directly in equity	114	(234)	(15)
	714	356	569

NOTE 4 **Trade and other receivables**

(in millions of €)	Sep 30,		
	2017	2016	2015
Trade receivables from the sale of goods and services	2,174	2,050	1,845
Receivables from finance leases	26	29	30
	2,200	2,080	1,875

In fiscal 2017, 2016 and 2015, the long-term portion of receivables from finance leases is reported in line item *Other financial assets* amounting to €99 million, €83 million and €88 million, respectively.

Changes to the valuation allowance of current and non-current trade and other receivables which belong to the class of financial assets measured at (amortized) costs are as follows:

(in millions of €)	Fiscal year		
	2017	2016	2015
Valuation allowance as of beginning of fiscal year	110	101	114
Increase in valuation allowances	31	24	25
Write-offs charged against the allowance	(15)	(16)	(39)
Recoveries of amounts previously written-off	1	1	2
Foreign exchange translation differences	(9)	(1)	-
Valuation allowance as of fiscal year-end	117	110	101

Minimum future lease payments from finance lease to be received are as follows:

(in millions of €)	Sep 30,		
	2017	2016	2015
Within one year	28	33	34
After one year but not more than five years	92	83	87
More than five years	32	18	23
	151	135	143

The following table shows a reconciliation of minimum future lease payments to the gross and net investment in leases and to the present value of the minimum future lease payments receivable:

(in millions of €)	Sep 30,		
	2017	2016	2015
Minimum future lease payments	151	135	143
Less: Unearned finance income	(25)	(22)	(25)
Net investment in leases	126	113	118
Less: Allowance for doubtful accounts	-	(1)	-
Present value of minimum future lease payments receivable	126	112	118

Siemens Healthineers

Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

The present values of minimum future lease payments receivable are due as follows:

(in millions of €)	Sep 30,		
	2017	2016	2015
Within one year	26	29	30
After one year but not more than five years	74	68	70
More than five years	26	15	19
	126	112	118

Investments in finance leases predominantly relate to diagnostic imaging equipment. Actual cash flows will vary from contractual maturities due to future sales of finance receivables, prepayments and write-offs.

NOTE 5 **Other current financial assets**

(in millions of €)	Sep 30,		
	2017	2016	2015
Derivative financial instruments	11	17	37
Receivables from employees	20	20	14
Other	27	33	27
	57	70	78

NOTE 6 **Other current assets**

(in millions of €)	Sep 30,		
	2017	2016	2015
Miscellaneous tax receivables	222	182	133
Prepaid expenses	46	45	39
Other	8	9	11
	276	236	183

As of September 30, 2017 miscellaneous tax receivables mainly consist of sales tax receivables amounting to €213 million (September 30, 2016: €172 million, September 30, 2015: €126 million).

NOTE 7 **Inventories**

(in millions of €)	Sep 30,		
	2017	2016	2015
Raw materials and supplies	378	357	367
Work in progress	381	365	359
Costs of unbilled contracts	172	239	241
Finished goods and products held for resale	686	686	660
Advances to suppliers	28	24	18
	1,645	1,671	1,645
Advance payments received	(321)	(363)	(386)
	1,323	1,308	1,259

Cost of sales includes inventories recognized as expense amounting to €7,842 million in fiscal 2017 (€7,850 million in fiscal 2016, €7,588 million in fiscal 2015). Compared to prior year, write-downs increased (decreased) by €(58) million as of September 30, 2017 (€(11) million as of September 30, 2016 and €19 million as of September 30, 2015).

NOTE 8 **Goodwill**

(in millions of €)	Fiscal year		
	2017	2016	2015
Cost			
Balance at beginning of year	9,593	9,560	8,898
Translation differences and other	(403)	18	659
Acquisitions and purchase accounting adjustments	41	15	3
Balance at year-end	9,231	9,593	9,560
Accumulated impairment losses and other changes			
Balance at beginning of year	(1,292)	(1,287)	(1,181)
Translation differences and other	53	(5)	(106)
Balance at year-end	(1,239)	(1,292)	(1,287)
Carrying amount			
Balance at beginning of year	8,301	8,273	7,717
Balance at year-end	7,992	8,301	8,273

The goodwill included in the Combined Financial Statements is based on the goodwill attributable to the companies or businesses that were transferred to Siemens Healthineers during the legal reorganization. Total amounts correspond to the historically reported amounts in the IFRS Consolidated Financial Statements of Siemens (predecessor values). During the periods presented, goodwill was tested for impairment based on the cash-generating unit structure used at that time by Siemens to monitor goodwill as the new reporting structure did not exist in the past. No goodwill impairment was recognized.

Siemens Healthineers defined operating segments based on the announced new reporting structure. As a cash-generating unit or a group of cash-generating units cannot be larger than an operating segment goodwill has been reallocated to the reorganized reporting structure based on relative values. Accordingly, the reallocation did not result in any goodwill impairments. Siemens Healthineers' groups of cash-generating units to which goodwill is allocated are represented by a segment – see *Note 23 – Segment information*.

(in millions of €)	Sep 30,		
	2017	2016	2015
Imaging	5,651	5,870	5,850
Diagnostics	1,463	1,519	1,514
Advanced Therapies	878	912	909

Siemens Healthineers
Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

NOTE 9 Other intangible assets and property, plant and equipment

(in millions of €)	Gross carrying amount 10/01/2014	Transfer from Siemens Group	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Gross Carrying amount 09/30/2015	Accumulated depreciation/amortization and impairment ¹	Carrying amount 09/30/2015	Depreciation/amortization and impairment in fiscal 2015
Internally generated technology	778	-	36	-	172	-	(8)	977	(296)	681	(51)
Acquired technology including patents, licenses and similar rights	364	2	24	-	21	-	(6)	406	(291)	115	(36)
Customer relationships and trademarks	2,098	-	163	-	-	-	(6)	2,255	(1,452)	803	(165)
Other intangible assets	3,240	2	222	-	192	-	(19)	3,638	(2,039)	1,599	(252)
Land and buildings	570	180	54	-	13	26	(17)	825	(383)	443	(20)
Technical machinery and equipment	637	8	45	-	29	20	(21)	717	(508)	210	(41)
Furniture and office equipment	714	11	35	1	86	20	(86)	781	(588)	193	(87)
Equipment leased to others	1,423	-	6	-	190	(2)	(179)	1,438	(1,051)	387	(163)
Advances to suppliers and construction in progress	80	4	10	-	45	(64)	(3)	73	-	73	-
Property, plant and equipment	3,424	203	150	1	364	-	(306)	3,835	(2,530)	1,305	(312)

¹The accumulated depreciation related to asset transfers from Siemens Group amounts to €110 million

(in millions of €)	Gross carrying amount 10/01/2015	Transfer from Siemens Group	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Gross Carrying amount 09/30/2016	Accumulated depreciation/Amortization and impairment ¹	Carrying amount 09/30/2016	Depreciation/amortization and impairment in fiscal 2016
Internally generated technology	977	2	2	-	202	-	(4)	1,178	(351)	827	(56)
Acquired technology including patents, licenses and similar rights	406	-	6	14	19	-	(20)	423	(312)	111	(38)
Customer relationships and trademarks	2,255	-	10	-	-	-	-	2,265	(1,618)	646	(165)
Other intangible assets	3,638	2	17	14	220	-	(25)	3,866	(2,282)	1,585	(259)
Land and buildings	825	208	(6)	-	34	46	2	1,110	(542)	568	(29)
Technical machinery and equipment	717	10	(10)	-	27	22	(20)	746	(535)	212	(43)
Furniture and office equipment	781	17	(2)	2	104	25	(64)	862	(641)	222	(100)
Equipment leased to others	1,438	-	(2)	-	216	1	(150)	1,503	(1,076)	427	(160)
Advances to suppliers and construction in progress	73	61	(1)	-	58	(94)	(1)	95	-	95	-
Property, plant and equipment	3,835	295	(21)	2	439	-	(232)	4,317	(2,793)	1,524	(332)

¹The accumulated depreciation related to asset transfers from Siemens Group amounts to €152 million

Siemens Healthineers
Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

(in millions of €)	Gross carrying amount 10/01/2016	Transfer from Siemens Group	Translation differences	Additions through business combinations	Additions	Reclassifications	Retirements	Gross Carrying amount 09/30/2017	Accumulated depreciation/amortization and impairment ¹	Carrying amount 09/30/2017	Depreciation/amortization and impairment in fiscal 2017
Internally generated technology	1,178	-	(39)	-	189	-	(18)	1,310	(383)	927	(61)
Acquired technology including patents, licenses and similar rights	423	-	(16)	3	30	-	(17)	422	(305)	118	(37)
Customer relationships and trademarks	2,265	-	(101)	3	-	-	-	2,166	(1,685)	481	(132)
Other intangible assets	3,866	-	(157)	5	219	-	(36)	3,898	(2,373)	1,525	(230)
Land and buildings	1,110	-	(36)	-	10	3	(3)	1,083	(551)	532	(35)
Technical machinery and equipment	746	-	(28)	-	23	26	(23)	745	(538)	207	(43)
Furniture and office equipment	863	1	(33)	-	106	23	(51)	909	(673)	237	(104)
Equipment leased to others	1,503	-	(43)	-	220	8	(175)	1,513	(1,064)	448	(160)
Advances to suppliers and construction in progress	95	-	(5)	-	117	(60)	(3)	143	-	143	-
Property, plant and equipment	4,317	1	(145)	-	476	-	(256)	4,393	(2,827)	1,566	(342)

¹The accumulated depreciation related to asset transfers from Siemens Group amounts to €1 million

Minimum future lease payments under operating leases to be received are:

(in millions of €)	Sep 30,		
	2017	2016	2015
Within 1 year	28	24	23
Between 1 and 5 years	64	77	49
After 5 years	2	6	2
	93	107	73

In fiscal 2017, 2016 and 2015, the contingent rents amounted to €138 million, €129 million and €140 million, respectively.

NOTE 10 Other financial assets

(in millions of €)	2017	Sep 30, 2016	2015
Receivables from finance leases	99	83	88
Available-for-sale financial assets	42	44	40
Other	21	25	19
	162	151	147

NOTE 11 Other assets

(in millions of €)	2017	Sep 30, 2016	2015
Deferred compensation assets	225	227	226
Prepaid expenses	31	16	16
Other	12	10	2
	268	253	244

Deferred compensation assets mainly relate to a deferred compensation plan in the U.S., see also *Note 13 – Other liabilities*.

NOTE 12 Other current liabilities

(in millions of €)	2017	Sep 30, 2016	2015
Employee related accruals	297	235	207
Payroll obligations and other liabilities to employees	599	598	572
Sales and other taxes	203	210	227
Deferred income	551	551	531
Other	147	151	152
	1,797	1,745	1,690

Employee related accruals primarily include accruals for vacation entitlements.

Sales and other taxes mainly comprise sales tax liabilities as of September 30, 2017 amounting to €162 million (September 30, 2016: €166 million, September 30, 2015: €183 million).

Deferred income comprises prepayments with a remaining term of less than one year from leases and service business.

NOTE 13 Other liabilities

(in millions of €)	Sep 30,		
	2017	2016	2015
Employee related accruals	119	119	89
Deferred compensation liabilities	227	223	225
Deferred income	226	218	152
Other	18	30	29
	590	591	495

Employee related accruals primarily include accruals for share-based compensation and jubilees shares.

Deferred compensation liabilities mainly relate to a deferred compensation plan in the U.S., see also *Note 11 - Other assets*.

Deferred income comprises prepayments with a remaining term of more than one year from leases and service business

NOTE 14 Debt

(in millions of €)	Sep 30,		
	2017	2016	2015
Debt portion of payables to Siemens Group (residual term < 1 year)	3,990	4,070	8,484
Loans from banks	47	38	1
Obligations under finance leases (residual term < 1 year)	8	7	7
Total short-term debt	4,045	4,115	8,492
Other liabilities to Siemens Group (residual term > 1 year)	5,167	5,485	13
Obligations under finance leases (residual term > 1 year)	15	14	14
Total long-term debt	5,182	5,499	26
Total debt	9,227	9,614	8,519

Siemens Group provides short-term loans to Siemens Healthineers, amounting to €3,990 million as of September 30, 2017 (September 30, 2016: €4,070 million, September 30, 2015: €8,484 million). In September 2016, short-term loans which related to Siemens Healthineers business in the United States have been converted to a series of six long-term loans with Siemens Group and with a maturity of 3 to 30 years. As of September 30, 2017 these long-term loans amounted to €5,052 million (September 30, 2016: €5,343 million, September 30, 2015: €0). The interest range for fiscal 2017 was 1.47% to 3.44% (fiscal 2016: 1.11% to 3.44%, fiscal 2015: 0.74% to 0.94%).

Further long-term loans to Siemens Healthineers are provided by Siemens Group amounting to €115 million as of September 30, 2017 (September 30, 2016: €142 million, September 30, 2015: €13 million).

NOTE 15 Provisions for pensions and similar obligations

Siemens Healthineers provides post-employment plans, which are accounted for either as defined benefit plans or defined contribution plans, to almost all of the German employees and the majority of the foreign employees.

Defined benefit plans

The defined benefit plans open to new entrants are based predominantly on contributions made by Siemens Healthineers. Only to a certain extent, those plans are affected by longevity, inflation and compensation increases and take into account country specific differences. Siemens Healthineers' major plans are funded with assets in segregated entities. In accordance with local laws and bilateral agreements with benefit trusts (trust agreement) those plans are managed in the interest of the beneficiaries. The defined benefit plans cover 48,000 participants, including 25,000 active employees, 10,500 former employees with vested benefits and 12,500 retirees and surviving dependents in 36 countries.

Where Siemens Healthineers employees participate in Siemens Group's pension plans and the respective pension trusts, Siemens Healthineers and Siemens Group bear the financial impact individually from pension obligations related to the respective employees. As the majority of the Siemens Healthineers' pension liabilities derive from four countries (ca. 95% in fiscal 2017), the pension landscape in these countries are described detailed below.

Germany:

In Germany, Siemens Healthineers provides pension benefits through the following plans: BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. The majority of Siemens Healthineers' active employees participates in the BSAV. Those benefits are predominantly based on contributions made by Siemens Healthineers and returns earned on such contributions, subject to a minimum return guaranteed by Siemens Healthineers. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases. However, these frozen plans still expose Siemens Healthineers to investment risk, interest rate risk and longevity risk. In general, no legal or regulatory minimum funding requirements apply in Germany.

The BSAV as well as most of the frozen legacy plans are currently funded via contractual trust arrangements (CTA) whose sole trustor is Siemens AG. For parts of the frozen legacy plans (Siemens Pensionsfonds AG) and the deferred compensation plans, plan assets have been allocated to Siemens Healthineers and are therefore included in the numbers below. However, no plan assets have been allocated to Siemens Healthineers for the BSAV and the majority of the frozen legacy plans.

U.S.:

U.S. Siemens Healthineers currently participate in the defined benefit and defined contribution plans sponsored by Siemens Corporation. The defined benefit plans sponsored by Siemens Corporation have been frozen to new entrants and to future benefit accruals, except for interest credits on cash balance accounts. The pension plans are subject to the funding requirements under the Employee Retirement Income Security Act of 1974 as amended, (ERISA). There is a regulatory requirement to maintain a minimum funding level of 80% in defined benefit plans in order to avoid benefit restrictions. At their discretion, the sponsoring employers may contribute in excess of this regulatory requirement. Annual contributions are calculated by independent actuaries. For all funded U.S. pension plans, plan assets have been allocated to Siemens Healthineers.

U.K.:

Presently Siemens Healthineers offers defined benefit and defined contribution benefits through the Siemens Benefit Scheme for which, until the start of retirement, an inflation increase of the majority of accrued (deferred and in payment) defined benefits is mandatory. Siemens Healthineers is currently a participating employer in this pension trust established by Siemens plc. The required annual funding of the defined benefit sections is determined by a funding valuation carried out at least every third year based on legal requirements. For the Siemens Benefit Scheme as well as the smaller pension plans in U.K., plan assets have been allocated to Siemens Healthineers.

Switzerland:

Following the Swiss law of occupational benefits (BVG) each employer has to grant post-employment benefits for qualifying employees. Accordingly Siemens Healthineers in Switzerland sponsors several cash balance plans. These plans are administered by external foundations. The board of the foundation is responsible for investment policy and the asset management, as well as for any changes in the plan rules and the determination of contributions to finance the benefits. Siemens Healthineers is required to make total contributions at least as high as the sum of the employee contributions set out in the plan rules. In case of an underfunded plan the participating companies together with the employees may be asked to pay supplementary contributions according to a well-defined framework of recovery measures.

Siemens Healthineers

Notes to the Combined Financial Statements

for the fiscal years ended September 30, 2017, 2016 and 2015

Basis for allocation of Siemens Healthineers' pension plans administrated by Siemens Group

During the periods presented, Siemens Healthineers employees in most countries participated in Siemens Group's pension plans and the respective pension trusts. For these plans, pension benefits are administrated by Siemens Group, but separated for each legal entity.

The determination of defined benefit obligation at fiscal year-end of the respective carve-outs is based on the service of the employees under the respective plan. This defined benefit obligation is also the basis for the proportional split of the defined benefit obligation between Siemens Group and Siemens Healthineers for fiscal years prior to the respective carve outs.

Plan assets are not managed separately for each participating entities and are allocated to participating entities based on the allocated defined benefit obligation or the plan beneficiaries.

The service costs are based on the service of the employees under the respective plans. The interest costs and interest income are based on the allocated DBO and plan assets respectively.

The legal separation of the majority of the respective plan assets will take place during fiscal 2018 taking into account legal requirements and therefore, might be different to the allocation applied in the Combined Financial Statements.

Development of the defined benefit plans

(in millions of €)	Defined benefit obligation (DBO)			Fair value of plan assets			Effects of asset ceiling			Net defined benefit balance		
	(I)			(II)			(III)			(I – II + III)		
	Fiscal year			Fiscal year			Fiscal year			Fiscal year		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Balance at begin of fiscal year	4,558	3,258	3,032	2,436	2,027	1,927	9	11	12	2,131	1,243	1,116
Current service cost	66	54	55	-	-	-	-	-	-	66	54	55
Interest expenses	91	133	121	-	-	-	-	1	1	92	133	121
Interest income	-	-	-	60	83	89	-	-	-	(60)	(83)	(89)
Other ¹	(4)	(6)	(6)	(8)	(6)	(5)	-	-	-	4	-	(1)
Components of defined benefit costs recognized in the Combined Statements of income	154	181	170	52	78	84	0	1	1	102	104	86
Return on plan assets excluding amounts included in net interest income and net interest expenses	-	-	-	18	265	(1)	-	-	-	(18)	(265)	1
Actuarial (gains) losses	(381)	692	59	-	-	-	-	-	-	(381)	692	59
Effects of asset ceiling	-	-	-	-	-	-	3	(2)	(2)	3	(2)	(2)
Remeasurements recognized in the Combined Statements of Comprehensive Income	(381)	692	59	18	265	(1)	3	(2)	(2)	(396)	426	59
Employer contributions	-	-	-	81	44	20	-	-	-	(81)	(44)	(20)
Plan participants' contributions	8	9	10	8	9	10	-	-	-	-	-	-
Benefits paid	(194)	(166)	(123)	(173)	(141)	(106)	-	-	-	(22)	(25)	(17)
Settlement payments	(3)	(2)	(44)	(3)	(2)	(44)	-	-	-	-	-	-
Business combinations, disposals and other	24	708	(20)	21	283	(14)	-	-	-	3	426	(6)
Foreign currency translation effects	(98)	(124)	175	(76)	(127)	151	-	(1)	-	(22)	2	25
Other reconciling items	(263)	426	(2)	(141)	66	16	-	(1)	-	(122)	358	(18)
Balance at fiscal year-end	4,067	4,558	3,258	2,364	2,436	2,027	12	9	11	1,715	2,131	1,243
<i>thereof:</i>												
<i>Germany</i>	<i>1,722</i>	<i>1,966</i>	<i>866</i>	<i>339</i>	<i>357</i>	<i>64</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1,383</i>	<i>1,609</i>	<i>803</i>
<i>U.S.</i>	<i>1,116</i>	<i>1,270</i>	<i>1,214</i>	<i>865</i>	<i>932</i>	<i>884</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>251</i>	<i>338</i>	<i>329</i>
<i>U.K.</i>	<i>928</i>	<i>984</i>	<i>894</i>	<i>952</i>	<i>953</i>	<i>903</i>	<i>12</i>	<i>9</i>	<i>11</i>	<i>(13)</i>	<i>39</i>	<i>2</i>
<i>CH</i>	<i>87</i>	<i>103</i>	<i>92</i>	<i>79</i>	<i>78</i>	<i>73</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>8</i>	<i>25</i>	<i>19</i>
<i>Other countries</i>	<i>215</i>	<i>235</i>	<i>192</i>	<i>129</i>	<i>115</i>	<i>103</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>85</i>	<i>120</i>	<i>90</i>
Total	4,067	4,558	3,258	2,364	2,436	2,027	12	9	11	1,715	2,131	1,243
<i>thereof provisions for pensions and similar obligations</i>										<i>1,732</i>	<i>2,132</i>	<i>1,245</i>
<i>thereof net defined benefit assets (presented in Other assets)</i>										<i>17</i>	<i>1</i>	<i>2</i>

¹ Includes past service benefit/costs, settlement gains/losses and administration costs related to liabilities

Net interest expenses related to provisions for pensions and similar obligations amounted to €31 million, €50 million and €32 million, respectively, in fiscal 2017, 2016 and 2015. The DBO is attributable to active employees 40%, 42% and 50%, to former employees with vested rights 19%, 20% and 22%, to retirees and surviving dependents 41%, 38% and 28% respectively, in fiscal 2017, 2016 and 2015.

The position “business combinations, disposals and other” include a transfer of deferred plan members and retirees in Germany in fiscal 2016 of DBO €704 million and plan assets of €281 million from Siemens AG to Siemens Healthcare GmbH decided on the Siemens annual shareholder meeting January 26, 2016, effective of October 1, 2015.

The remeasurements comprise actuarial (gains) and losses resulting from:

(in millions of €)	Fiscal year		
	2017	2016	2015
Changes in demographic assumptions	(20)	(23)	14
Changes in financial assumptions	(361)	729	55
Experience (gains) losses	(1)	(13)	(10)
Total	(381)	692	59

Actuarial assumptions

The weighted-average discount rate used for the actuarial valuation of the DBO at period-end was as follows:

	Sep, 30		
	2017	2016	2015
Discount rate	2.8%	2.2%	3.7%
EUR	2.1%	1.0%	2.7%
USD	3.8%	3.6%	4.3%
GBP	2.8%	2.4%	3.9%
CHF	0.8%	0.4%	1.0%

The discount rate was derived from high-quality corporate bonds with an issuing volume of more than 100 million units in the respective currency zones, which have been awarded an AA rating (or equivalent) by at least one of the three rating agencies Moody’s Investor Service, Standard & Poor’s Rating Services or Fitch Ratings.

Applied mortality tables are:

Mortality table	2017	2016	2015
Germany	Heubeck Richttafeln 2005G (modified)	Heubeck Richttafeln 2005G (modified)	Heubeck Richttafeln 2005G (modified)
U.S.	RP-2016 with generational projection from the US Social Security Administration’s Long Range Demographic Assumptions	RP-2015 mortality table with MP-2015 generational projection	RP2014 mortality table with MP2014 generational projection
U.K.	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)	SAPS S2 (Standard mortality tables for Self Administered Pension Schemes with allowance for future mortality improvements)
CH	BVG 2015G	BVG 2015G	BVG 2010G

The rates of compensation increase and pension progression for countries with significant effects are shown in the following table. Inflation effects, if applicable, are included in the assumptions below:

	Sep 30,		
	2017	2016	2015
Compensation increase			
U.K.	3.7%	3.6%	3.6%
CH	1.5%	1.5%	1.5%
Pension progression			
Germany	1.4%	1.4%	1.7%
U.K.	3.0%	2.9%	2.9%

Sensitivity analysis

An one-half-percentage-point change of the above assumptions would result in the following increase (decrease) of the DBO:

(in millions of €)	Effect on DBO due to a one-half percentage-point							
	increase		decrease		increase		decrease	
	Sep 30, 2017		Sep 30, 2016		Sep 30, 2015			
Discount rate	(261)	293	(318)	366	(198)	225		
Rate of compensation increase	14	(13)	18	(17)	12	(11)		
Rate of pension progression	174	(165)	217	(204)	138	(112)		

The DBO effect of a 10% reduction in mortality rates for all beneficiaries would be an increase of €105 million, €134 million and €65 million as of September 30, 2017, 2016 and 2015, respectively.

During the periods presented, sensitivity determinations apply the same methodology as applied for the determination of the post-employment benefit obligation. Sensitivities reflect changes in the DBO solely for the assumption changed.

Asset Liability Matching Strategies

A decline in the plans' funded status due to adverse developments of plan assets and/or defined benefit obligations resulting from changing parameters is considered as a significant risk. Accordingly, a risk management concept aligned with the defined benefit obligations (Asset Liability Matching) has been implemented. Risk management is based on a worldwide defined risk threshold (Value-at-Risk). The concept, the Value-at-Risk and the asset development including the investment strategy are monitored and adjusted on an ongoing basis under consultation of senior external experts. Independent asset managers are selected based on quantitative and qualitative analysis, which includes their performance and risk evaluation. Derivatives are used to reduce risks as part of risk management.

Disaggregation of plan assets

(in millions of €)	2017	Sep 30, 2016	2015
Equity securities	517	557	495
Fixed income securities	1,453	1,530	1,344
<i>Government bonds</i>	613	575	526
<i>Corporate bonds</i>	840	955	817
Alternative investments	187	123	87
Multi strategy funds	76	58	-
Derivatives	10	8	9
Cash and cash equivalents	44	54	24
Other assets	77	104	68
Total	2,364	2,436	2,027

As plan assets are not separately managed for participating entities, for each plan the respective plan assets have been allocated to the different asset classes proportionally to the plan assets allocation of Siemens AG.

Virtually all equity securities have quoted prices in active markets. The fair value of fixed income securities is based on prices provided by price service agencies. The fixed income securities are traded in highly liquid markets and almost all fixed income securities are investment grade. Alternative investments mostly include hedge funds; additionally, private equity and real estate investments are included. Multi strategy funds comprise absolute return funds and diversified growth funds that invest in various asset classes within a single fund and aim to stabilize return and reduce volatility. Derivatives predominantly consist of financial instruments for hedging interest rate risk.

Future cash flows

Employer contributions expected to be paid to defined benefit plans in fiscal 2018 are €92 million. Over the next ten fiscal years, average annual benefit payments of €190 million, €200 million and €146 million, respectively, are expected as of September 30, 2017, 2016 and 2015. The weighted average duration of the DBO for Siemens Healthineers defined benefit plans was 14 years as of September 30, 2017, 15 years as of September 30, 2016 and 13 years as of September 30, 2015.

Defined contribution plans and state plans

The amount recognized as expense for defined contribution plans amounts to €150 million, €153 million and €141 million in fiscal 2017, 2016, and 2015 respectively. Contributions to state plans amount to €244 million, €241 million and €243 million in fiscal 2017, 2016 and 2015, respectively.

NOTE 16 Provisions

(in millions of €)	Warranties	Order related losses and risks	Other	Total
Balance as of October 1, 2014	242	120	87	449
<i>Thereof non-current</i>	28	82	34	145
Additions	197	19	28	243
Usage	(150)	(28)	(20)	(198)
Reversals	(44)	(33)	(15)	(92)
Translation differences	7	7	2	15
Transfer from Siemens Group	-	-	7	7
Other changes	7	3	6	15
Balance as of September 30, 2015	258	87	94	439
<i>Thereof non-current</i>	32	68	46	145

(in millions of €)	Warranties	Order related losses and risks	Other	Total
Balance as of October 1, 2015	258	87	94	439
<i>Thereof non-current</i>	32	68	46	145
Additions	200	12	25	236
Usage	(150)	(10)	(13)	(173)
Reversals	(34)	(3)	(10)	(47)
Translation differences	2	(1)	1	2
Transfer from Siemens Group	-	-	4	4
Other changes	-	2	3	5
Balance as of September 30, 2016	276	88	102	466
<i>Thereof non-current</i>	30	61	57	148

(in millions of €)	Warranties	Order related losses and risks	Other	Total
Balance as of October 1, 2016	276	88	102	466
<i>Thereof non-current</i>	30	61	57	148
Additions	211	31	28	270
Usage	(175)	(11)	(7)	(193)
Reversals	(51)	(5)	(11)	(66)
Translation differences	(7)	(11)	(4)	(22)
Transfer from Siemens Group	-	-	13	13
Other changes	-	(1)	-	(1)
Balance as of September 30, 2017	253	91	122	467
<i>Thereof non-current</i>	30	62	61	153

Siemens Healthineers

Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

The majority of the Siemens Healthineers' provisions are expected to result in cash outflows during the next one to 15 years.

Warranties relate to products sold. Order related losses and risks are primarily provided for contracts in which the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under it. Other provisions include various types of provisions, such as provisions for asset retirement obligations related to certain items of property, plant and equipment as well as provisions for legal proceedings.

Siemens Healthineers is in the course of its normal business operations involved in Legal Proceedings in various jurisdictions. At present, Siemens Healthineers does not expect any matters to have material effects on its financial position, the results of its operations and/or its cash flows.

NOTE 17 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 the combined group does not show any subscribed capital, 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 Combined Financial Statements, the line item *Other changes in equity* as included in the Combined Statements of Changes in Equity mainly contains specifics in relation to the combination rules described in *Note 1 - Basis of preparation*.

NOTE 18 **Commitments and other financial obligations**

Guarantees and other contingent liabilities

Guarantees issued by Siemens Healthineers' entities were centrally managed by Siemens Group. Guarantees issued under these agreements on behalf of Siemens Healthineers' entities and other contingent liabilities are deemed immaterial for fiscal 2017, 2016 and 2015.

Other financial obligations

Other financial obligations arose from operating leases. The maturity of the corresponding non-discounted minimum lease payments are presented in the following table.

Future payment obligations under non-cancellable operating leases are:

(in millions of €)	Sep 30,		
	2017	2016	2015
Within 1 year	111	97	88
Between 1 and 5 years	206	156	125
After 5 years	93	45	35
	410	298	248

Total operating rental expenses for the fiscal years ended September 30, 2017, 2016 and 2015 were €272 million, €287 million and €320 million, respectively.

NOTE 19 **Financial instruments and hedging activities**

Financial instruments

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

			Sep 30,		
			2017	2016	2015
(in millions of €)	Category of financial assets and financial liabilities	Measurement/ Fair Value hierarchy	Carrying amount	Carrying amount	Carrying amount
Loans and receivables	1) LaR	Amortized cost	2,359	2,233	2,018
Cash and cash equivalents	n.a.	-	184	206	73
Derivatives designated in a hedge accounting relationship	n.a.	Level 2	4	11	19
Derivatives not designated in a hedge accounting relationship	FAHfT	Level 2	7	7	18
Available-for-sale financial assets	2) AfS	At cost / Level 1	50	50	46
Receivables and other receivables from Siemens Group	LaR	Amortized cost	4,356	3,952	4,056
Financial assets			6,959	6,459	6,229
Financial liabilities measured at amortized costs	3) FLaC	Amortized cost	1,273	1,153	1,049
Derivatives designated in a hedge accounting relationship	n.a.	Level 2	6	11	9
Derivatives not designated in a hedge accounting relationship	FLHfT	Level 2	6	14	14
Payables and other liabilities to Siemens Group	FLaC	Amortized cost	10,962	11,466	10,493
Financial liabilities			12,247	12,644	11,565

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

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; including trade receivables from the sale of goods and services and other trade receivables as of 2017, 2016 and 2015 amounting to €2,174 million, €2,050 million and €1,845 million

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 (2017: €42 million, 2016: €44 million and 2015: €40 million). In addition, the fair value (Level 1) of available-for-sales financial assets as of September 30, 2017, 2016 and 2015 amounting to €8 million, €6 million and €6 million

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; including obligations under finance lease as of 2017, 2016 and 2015 amounting to €24 million, €22 million and €22 million

The loans and receivables and the financial liabilities measured at amortized costs also include receivables and liabilities under finance leases in which Siemens Healthineers is the lessor or lessee and which therefore are accounted in accordance with IAS 17.

The fair values of cash and cash equivalents, trade and other receivables (all short-term), loans from banks, trade payables (all short-term), short-term payables to Siemens Group as well as other current financial assets and other current financial liabilities approximate their carrying amount due to short-term maturities of these 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 €5,052 million and €5,343 million as of September 30, 2017 and 2016, respectively, (see Note 14 – Debt) while the fair values amounted to €4,883 million and €5,327 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.

The fair values of obligations under finance lease as well as other financial liabilities are estimated by discounting future cash flows using market rates. The fair values approximate the carrying amount because these obligations are mainly short-term.

Long-term receivables are evaluated by Siemens Healthineers based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer. Based on this evaluation, allowances for these receivables are taken into account. The carrying amounts of such receivables, net of allowances, approximate the fair value.

Siemens Healthineers enters into derivative contracts with Siemens Corporate Treasury in accordance with Siemens Group policies. The fair values of derivative financial instruments depend on the specific type of instrument.

The fair value of foreign currency exchange contracts is based on forward exchange rates. Options are generally valued based on quoted market prices or based on option pricing models. In determining the fair values of the derivative financial instruments, no compensating effects from underlying transactions are taken into consideration.

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.

Derivative financial instruments and hedging activities

As part of Siemens Healthineers' risk management approach, derivative financial instruments are used to reduce the risks resulting primarily from fluctuations in foreign currency exchange rates.

In fiscal 2017, 2016 and 2015, Siemens Healthineers does not have any material derivative financial instruments relating to interest rate or commodity prices. Siemens Healthineers is mainly financed by Siemens Corporate Treasury of Siemens AG which is also actively managing the interest rate risks.

For additional information regarding Siemens Healthineers' risk management please refer to *Note 20 – Financial Risk Management*.

Foreign currency exchange rate risk management

Derivative financial instruments not designated in a hedging relationship

Risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions were centrally managed by Siemens Corporate Treasury of Siemens AG in favor of Siemens Healthineers.

Under this approach the risks are aggregated centrally, and various derivative financial instruments, primarily foreign currency exchange contracts, foreign currency swaps and options, are utilized to minimize such risks. Such a strategy does not qualify for hedge accounting treatment.

Cash flow hedges

Siemens Healthineers' operating units apply hedge accounting for certain significant transactions and firm commitments denominated in foreign currencies. In particular, Siemens Healthineers has entered into foreign currency exchange contracts to reduce the risk of variability of future cash flows resulting from forecast sales and purchases as well as firm commitments.

As of September 30, 2017, 2016 and 2015, the maximum maturity of the main portion of derivative financial instruments which are used to hedge future cash flows is 12 months.

Changes in fair value of foreign exchange contracts that were designated as hedging instruments in foreign-currency cash flow hedges are recorded in line item *Other comprehensive income, net of income taxes*.

NOTE 20 **Financial risk management**

Siemens Healthineers is managed centrally by the Managing Board, which is responsible for the operating business of Siemens Healthineers. It manages and controls its financial risks in accordance with Siemens Group policies. During the periods presented, Siemens Healthineers delegated responsibilities to central functions of Siemens Group.

Market risks

Increasing market fluctuations may result in significant earnings and cash flow volatility risk for Siemens Healthineers. Its worldwide operating business as well as its investment and financing activities are affected particularly by changes in foreign exchange rates and interest rates.

In order to optimize the allocation of the financial resources across its segments and entities, as well as to achieve its aims, Siemens Healthineers identifies, analyzes and manages the associated market risks. Siemens Healthineers seeks to manage and control these risks primarily through its regular operating and financing activities, and uses derivative financial instruments when deemed appropriate. Regarding financing activities monitoring and control was performed by Siemens AG in the reporting period.

The management of financial market risk is a priority for Siemens Healthineers' management. As a member of management, the Chief Financial Officer has specific responsibility for this part of the overall risk management system. For practical business purposes, management delegates responsibilities to central functions, like the Siemens Corporate Treasury department, and to individual Siemens Healthineers' entities.

In order to quantify market risks Siemens Healthineers has implemented a system based on parametric variance-covariance Value at Risk (VaR). The concept of VaR is also used for internal management of the treasury activities of Siemens Group. The VaR figures are calculated based on historical volatilities and correlations of various risk factors, a ten day holding period, and a 99.5% confidence level.

Actual results that are included in the Combined Statements of Income or Combined Statements of Comprehensive Income may differ substantially from VaR figures due to fundamental conceptual differences. While the Combined Statements of Income and Combined Statements of Comprehensive Income are prepared in accordance with IFRS, the VaR figures are the output of a model with a purely financial perspective and represent the potential financial loss which will not be exceeded within ten days with a probability of 99.5%.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations including the following. A ten day holding period assumes that it is possible to dispose of the underlying positions within this period. This may not be valid during continuing periods of illiquid markets. A 99.5% confidence level means, that there is a 0.5% statistical probability that losses could exceed the calculated VaR. The use of historical data as a basis for estimating the statistic behavior of the relevant markets and finally determining the possible range of the future outcomes on the basis of this statistic behavior may not always cover all possible scenarios, especially those of an exceptional nature.

Any market sensitive instruments, including equity and interest bearing investments, that Siemens Healthineers' pension plans hold are not included in the following quantitative and qualitative disclosures.

Foreign currency exchange rate risk

Transaction risk

Each Siemens Healthineers entity conducting businesses with international counterparties leading to future cash flows denominated in a currency other than its functional currency is exposed to risks from changes in foreign currency exchange rates. In the ordinary course of business Siemens Healthineers' entities are exposed to foreign currency exchange rate fluctuations, particularly between the U.S. dollar and the euro.

Siemens Healthineers defines foreign exchange rate exposure as the net amount of foreign currency denominated monetary items of the Combined Statements of Financial Position in addition to foreign currency denominated cash inflows and cash outflows from anticipated transactions at least for the following three months. This foreign currency exposure is determined based on the respective functional currencies of the exposed Siemens Healthineers entities.

Foreign currency exchange rate exposure is partly balanced by purchasing of goods, commodities and services in the respective currencies as well as production activities and other contributions along the value chain in the local markets.

Siemens Healthineers

Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

Siemens Healthineers' entities are prohibited from borrowing or investing in foreign currencies on a speculative basis. Financing from Siemens Group or investments of operating units are preferably carried out in their functional currency.

Siemens Healthineers' entities are bound by a foreign exchange risk management system established within the Siemens Group. Each Siemens Healthineers' entity is responsible for recording, assessing and monitoring its foreign currency transaction exposure.

The binding guideline provides the concept for the identification and determination of the single net currency position and commits the entities to hedge at least 75% but no more than 100% of their net foreign currency exposure. Hedging transactions are carried out primarily with the Siemens Corporate Treasury of Siemens Group as counterparty.

As of September 30, 2017, 2016 and 2015 the VaR relating to foreign currency exchange rates was €94 million, €64 million and €119 million.

This VaR was calculated under consideration of items of the Combined Statements of Financial Position in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash flows from forecast transactions for the following twelve months.

Translation risk

Many Siemens Healthineers' entities are located outside the euro zone. Since the financial reporting currency of Siemens Healthineers is the euro, the financial statements of these entities are translated into euro for the preparation of the Combined Financial Statements. To consider the effects of foreign currency translation in the risk management, the general assumption is that investments in foreign-based operations are permanent and that reinvestment is continuous. Effects from foreign currency exchange rate fluctuations on the translation of net asset amounts into euro are reflected in the Siemens Healthineers' combined equity position.

Interest rate risk

Siemens Healthineers' exposure to the risk of changes in market interest rates relates to short-term bank loans and money market borrowings and investments at Siemens Financial Services ("SFS"), mainly with fixed rates of interest. Long-term liabilities mainly relate to loans with Siemens Group.

Siemens Healthineers is mainly financed by Siemens Group through SFS and interest rate risk management is performed at the level of Siemens AG. Consequently, until the end of fiscal 2017, Siemens Healthineers did not actively manage its interest rate risk. As of September 30, 2017, 2016 and 2015 the VaR relating to interest rates was €2 million, €1 million and €1 million.

Liquidity risk

Liquidity risk results from Siemens Healthineers' inability to meet its financial liabilities. In the periods presented Siemens Healthineers was therefore largely financed by Siemens Group through SFS and invested excess liquidity using Siemens AG's cash pooling and cash management systems.

In addition, Siemens Healthineers has implemented an effective working capital and cash management.

The Siemens Healthineers' liquidity reserve as of September 30, 2017, 2016 and 2015 of cash and cash equivalents amounts to €184 million, €206 million and €73 million, respectively.

The following table reflects the contractually fixed pay-offs for settlement, repayments and interest. The disclosed expected undiscounted net cash outflows from derivative financial liabilities are determined based on each particular settlement date of an instrument and based on the earliest date on which Siemens Healthineers could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing as of September 30, 2017.

	Fiscal year			
	2018	2019	2020 to 2022	2023 and thereafter
Non-derivative financial liabilities				
Loans from banks	47	-	-	-
Obligations under finance leases	8	8	8	-
Trade payables	1,120	-	-	-
Other financial liabilities	72	8	12	2
Payables and other liabilities to Siemens Group	5,918	1,347	1,314	3,713
Derivative financial liabilities	13	-	-	-

The risk implied from the values shown in the table above, reflects the one-sided scenario of cash outflows only. Obligations under trade payables and other financial liabilities including finance leases, mainly originate from the financing of assets used in Siemens Healthineers' ongoing operations such as property, plant, equipment and investments in working capital – e.g. inventories and trade receivables.

These assets are considered in Siemens Healthineers' overall liquidity risk management. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Siemens Healthineers participates in a comprehensive risk reporting established by Siemens Group, which covers its worldwide business.

Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time or if the value of collateral declines.

The effective monitoring and controlling of credit risk through credit evaluations and ratings is a core competency of Siemens Healthineers' risk management system. Siemens Healthineers is bound to the credit policy implemented by Siemens Group. In principle, each Siemens Healthineers' entity is responsible for managing credit risk in its operating activities. Depending on the nature of the operating activities and the level of credit risk, additional credit risk monitoring and controls are performed both by each entity and by Siemens Group which can perform further credit evaluations and ratings, if applicable. Ratings and individually defined credit limits are mainly based on generally accepted rating methodologies, with the input consisting of information obtained from the customer, external rating agencies, data service providers and credit default experiences. Ratings and credit limits are carefully considered in determining the conditions under which direct or indirect financing will be offered to customers by Siemens Healthineers.

For analysis and monitoring of the credit risk Siemens Healthineers applies different systems and processes developed by Siemens Group. A central IT application is available that processes data from the operating units together with rating and default information and calculates an estimate which may be used as a basis for individual bad debt provisions. In addition to this automated process, qualitative information is considered in particular to incorporate the latest developments.

Certain operating entities of Siemens Healthineers transferred their current trade receivables along with the inherent credit risk to the Siemens Credit Warehouse, but are still responsible for the administration of the trade receivables. The Siemens Credit Warehouse actively identifies, quantifies and manages the credit risk in its portfolio, such as by selling or hedging exposure to specific customers, countries and industries.

There were no significant concentrations of credit risk as of September 30, 2017, 2016 and 2015.

The maximum exposure to credit risk of financial assets, without taking account of any collateral, is represented by their carrying amount.

As of September 30, 2017, 2016 and 2015 the collateral held for financial instruments classified as financial assets measured at amortized costs amounted to €72 million, €51 million and €69 million, respectively.

Concerning trade receivables and other receivables, as well as loans or receivables which are neither impaired nor past due, there were no indications that defaults in payment obligations will occur, lead to a decrease in the net assets. Overdue financial instruments are generally impaired on a portfolio basis in order to reflect losses incurred within the respective portfolios. When substantial expected payment delays become evident, overdue financial instruments are assessed individually for additional impairment and are further allowed for as appropriate.

NOTE 21 Share-based payments

Share-based payment awards may be settled in newly issued shares of capital stock of Siemens AG, in treasury shares or in cash. Share-based payment awards may forfeit if the employment of the beneficiary terminates prior to the expiration of the vesting period. At Siemens Group level, these share-based payment plans are predominantly designed and accounted for as equity-settled plans and to a limited extent as cash-settled plans.

In the Combined Financial Statements of Siemens Healthineers the classification of share-based payment plans has been adjusted to fulfill the specific requirements for share-based payment transactions among group entities. In the majority of the cases, Siemens Healthineers carries the contractual obligation against its employees to settle the share-based payment transactions at the end of the vesting period. Consequently, Siemens Healthineers accounts for these share-based payment plans as cash-settled plans.

The carrying amount of liabilities from share-based payment transactions, included in the line item *Other liabilities* and *Other current liabilities* in the Combined Financial Statements, is €143 million as of September 30, 2017 (€92 million and €50 million for the years ended September 30, 2016 and 2015, respectively). Total pretax expense for share-based payment amounted to €81 million for the year ended September 30, 2017 (€67 million and €18 million for the years ended September 30, 2016 and 2015, respectively).

Stock Awards

Siemens Healthineers grants stock awards to members of the senior management, and other eligible employees. Stock awards are subject to a restriction period of about four years and entitle the beneficiary to receive Siemens AG shares without payment of consideration following the restriction period.

Stock awards are tied to performance criteria of Siemens AG. The annual target amount for stock awards can be bound to the average of earnings per share (EPS, basic) of the past three fiscal years and/or to the share price performance of Siemens AG relative to the share price performance of five important competitors (SPAC) during the four-year restriction period. The target attainment for the performance criteria SPAC ranges between 0% and 200%. If the target attainment of the prospective performance-based target of Siemens AG stock relative to five competitors exceeds 100%, an additional cash payment results corresponding to the outperformance. The vesting period is four years.

In fiscal 2017, 289,246 stock awards were granted contingent upon attaining the prospective performance-based target of Siemens AG stock relative to five competitors (247,848 stock awards and 133,723 stock awards in fiscal 2016 and fiscal 2015, respectively). The fair value of these stock awards amounting to €19 million in fiscal 2017 (€14 million and €7 million in fiscal 2016 and fiscal 2015, respectively), was calculated by applying a valuation model. In fiscal 2017 inputs to that model include an expected weighted volatility of Siemens AG shares of 22.79% (22% and 22% in fiscal 2016 and fiscal 2015, respectively) and a market price of €107.95 per Siemens AG share (€92.86 and €88.03 in fiscal 2016 and fiscal 2015, respectively). Expected volatility was determined by reference to historic volatilities. The model applies a risk-free interest rate of up to 0.03% in fiscal 2017 (up to 0.1% and up to 0.3% in fiscal 2016 and fiscal 2015, respectively) and an expected dividend yield of 3.33% in fiscal 2017 (3.8% and 3.8% in fiscal 2016 and fiscal 2015, respectively). Assumptions concerning share price correlations were determined by reference to historic correlations.

Furthermore during fiscal 2017, 47,090 stock awards were granted to members of the senior management, and other eligible employees for extraordinary achievements based on a special allocation from the CEO of the Siemens Group (58,470 stock awards and 35,638 stock awards in fiscal 2016 and fiscal 2015, respectively). These stock awards are only subject to a restriction period of about four years. The fair value amounts to €5 million in fiscal 2017 (€4 million and €3 million in fiscal 2016 and fiscal 2015, respectively).

Changes in the number of stock awards held by members of the senior management, and other eligible employees are:

	Fiscal year		
	2017	2016	2015
Non-vested, beginning of period	860,751	802,261	630,673
Granted	336,336	306,318	212,367
Vested and fulfilled	(189,957)	(109,557)	-
Forfeited	(46,267)	(133,931)	(20,164)
Settled	(63)	(4,340)	(20,615)
Non-vested, end of period	960,800	860,751	802,261

Share Matching Program and its underlying plans

In fiscal 2017, Siemens AG issued a new tranche under each of the plans of the Share Matching Program.

Share Matching Plan

Under the Share Matching Plan senior managers may invest a specified part of their variable compensation in Siemens AG shares (investment shares). The shares are purchased at the market price at a predetermined date in the second quarter. Plan participants receive the right to receive one Siemens AG share without payment of consideration (matching share) for every three investment shares continuously held over a period of about three years (vesting period) provided the plan participant has been continuously employed by Siemens Group including Siemens Healthineers until the end of the vesting period.

Monthly Investment Plan

Under the Monthly Investment Plan employees other than senior managers may invest a specified part of their compensation in Siemens AG shares on a monthly basis over a period of twelve months. Shares are purchased at market price at a predetermined date once a month. If the Managing Board of Siemens AG decides that shares acquired under the Monthly Investment Plan are transferred to the Share Matching Plan, plan participants will receive the right to matching shares under the same conditions applying to the Share Matching Plan described above with a vesting period of about two years since fiscal 2016 (in fiscal 2015 about three years). The Managing Board of Siemens AG decided that shares acquired under the tranches issued in fiscal 2016, 2015 and 2014 are transferred to the Share Matching Plan as of February 2017, February 2016 and February 2015, respectively.

Base Share Program

Under the Base Share Program employees of participating Siemens Healthineers companies may invest a fixed amount of their compensation in Siemens AG shares. The shares are bought at market price at a predetermined date in the second quarter and grant the right to receive matching shares under the same conditions applying to the Share Matching Plan described above. The fair value of the Base Share Program amounted to €4 million in fiscal 2017 (€4 million and €4 million in fiscal 2016 and 2015, respectively).

Resulting Matching Shares

	Fiscal year		
	2017	2016	2015
Outstanding, beginning of period	230,810	219,521	239,845
Granted	94,914	102,064	75,532
Vested and fulfilled	(63,963)	(73,641)	(70,652)
Forfeited	(11,850)	(10,545)	(9,638)
Settled	(5,152)	(6,589)	(15,566)
Outstanding, end of period	244,759	230,810	219,521

The weighted average fair value of matching shares granted in fiscal 2017 amounting to €92.60 per share (€65.78 and €69.43 per share in fiscal 2016 and fiscal 2015, respectively) was determined as the market price of Siemens AG shares less the present value of expected dividends taking into account non-vesting conditions.

Siemens Profit Sharing

The Managing Board of Siemens AG decides annually on the issuance of a new Siemens Profit Sharing tranche and determines the targets to be met for the current fiscal year. At fiscal year-end, based on the actual target achievement, the Managing Board of Siemens AG decides in its discretion on the amount to be transferred to the Profit-Sharing-Pool; this transfer is limited to a maximum of €400 million annually. If the Pool amounts to a minimum of €400 million after one or more fiscal years, it will be transferred to eligible employees below senior management in full or partially through the grant of free Siemens AG shares. As of September 30, 2017, €300 million are in the Profit-Sharing-Pool, thereof €46 million have been allocated to Siemens Healthineers. Expense is recognized pro rata over the estimated vesting period.

In November 2017, €100 million were transferred to the Profit-Sharing-Pool, thereof €15 million allocated to Siemens Healthineers; it was decided that the Pool amounting to €400 million will be transferred to eligible Siemens Group and Siemens Healthineers' employees in March 2018.

Jubilee Share Program

For their 25th and 40th service anniversary, eligible employees receive jubilee shares. There were 432 thousand entitlements to jubilee shares outstanding for Siemens Healthineers employees in Germany as of September 30, 2017 (417 thousand and 412 thousand as of September 30, 2016 and 2015, respectively).

NOTE 22 **Personnel costs**

(in millions of €)	Fiscal year		
	2017	2016	2015
Wages and salaries	3,729	3,558	3,331
Statutory social welfare contributions and expenses for optional support	560	535	518
Expenses relating to post-employment benefits	240	221	210
Personnel costs	4,529	4,314	4,059

Severance charges amount to €57 million in fiscal 2017 (€61 million in fiscal 2016 and €62 million in fiscal 2015), respectively. Item Expenses relating to post-employment benefits includes service costs for the period.

Employees were engaged in (averages; part time employees are included proportionally):

(in thousands)	Fiscal year		
	2017	2016	2015
Manufacturing and services	27	26	26
Sales and marketing	10	10	10
Research and development	8	8	6
Administration and general services	2	2	1
	47	46	44

NOTE 23 **Segment information**

(in millions of €)	External Revenue			Intersegment Revenue			Total Revenue			Profit		
	Fiscal year			Fiscal year			Fiscal year			Fiscal year		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Imaging	7,976	7,767	7,185	240	240	197	8,216	8,007	7,382	1,624	1,571	1,298
Diagnostics	4,161	4,138	4,138	-	-	-	4,162	4,138	4,138	562	514	621
Advanced Therapies	1,508	1,449	1,433	10	11	14	1,519	1,460	1,447	335	286	269
Total Segments	13,646	13,355	12,756	250	251	211	13,896	13,606	12,967	2,521	2,371	2,187
Reconciliation to Combined Financial Statements	150	192	181	(250)	(251)	(211)	(100)	(59)	(30)	(477)	(453)	(311)
Siemens Healthineers	13,796	13,547	12,936	-	-	-	13,796	13,547	12,936	2,044	1,918	1,876

(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		
	Sep 30,			Fiscal year			Fiscal year			Fiscal year		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Imaging	6,025	6,253	6,201	1,596	1,599	1,484	125	122	91	137	140	128
Diagnostics	3,858	4,059	4,077	329	341	337	450	430	420	235	226	217
Advanced Therapies	879	873	959	298	323	281	10	10	10	10	10	12
Total Segments	10,761	11,185	11,238	2,222	2,263	2,103	585	562	521	383	376	358
Reconciliation to Combined Financial Statements	9,679	9,110	8,219	(713)	(838)	(558)	110	97	35	189	215	205
Siemens Healthineers	20,440	20,295	19,457	1,509	1,425	1,545	695	659	556	572	591	563

Description of reportable segments

Siemens Healthineers manages its business through three reportable segments as outlined below. For purposes of preparing these Combined 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.

Reconciliation to Combined Financial Statements

Pensions—includes the centrally carried income (expense) related to pension obligations not allocated to the segments as well as the centrally managed pension assets and liabilities.

Siemens Healthineers Real Estate—Siemens Healthineers Real Estate manages Siemens Healthineers' entire real estate business portfolio, operates the properties, and is responsible for building projects and the purchase and sale of real estate.

Eliminations, Corporate Treasury, Corporate Items, and other items—comprise consolidation of transactions between the segments, certain reconciliation and reclassification items and the activities of the Corporate Treasury. Corporate items includes corporate costs, such as group managing costs, corporate projects, the amortization of intangible assets acquired in previous business combinations. In addition, it includes the business activities and special topics which are not allocated directly to a Segment, because the Managing Board does not consider them to be indicative of the Segment's performance. It also includes interest income and expense, such as, for example, interest not allocated to segments (referred to as financing interest), interest related to Corporate Treasury activities or resulting consolidation and reconciliation effects on interest.

Measurement – Segments

Accounting policies for segment information are generally the same as those used for the Combined Financial Statements. Intersegment transactions are based on market prices.

Profit

Siemens Healthineers' Managing Board is responsible for assessing the performance of the segments (chief operating decision maker). Siemens Healthineers' profitability measure of the segments is income before income taxes, financing interest, certain pension costs and amortization expenses of intangible assets acquired in business combinations as determined by the chief operating decision maker (Profit). The major categories of items excluded from Profit are presented below.

Decisions on essential pension items are made centrally. Accordingly, Profit primarily includes amounts related to service cost of pension plans only, while all other regularly recurring pension related costs are included in reconciliations in the line item *Centrally carried pension expense*.

Financing interest, excluded from Profit, is any interest income or expense other than interest income related to receivables from customers, from cash allocated to the segments and interest expenses on payables to suppliers. Financing interest is excluded from Profit because decision-making regarding financing is typically made at the corporate level.

Amortization expenses of other intangible assets acquired in business combinations are not part of Profit. Furthermore, income taxes are excluded from Profit since income tax is subject to legal structures, which typically do not correspond to the structure of the segments. This may also be the case for items that refer to more than one reportable segment, Siemens Healthineers Real Estate and (or) have a corporate or central character. Costs for support functions are primarily allocated to the segments.

Assets

Management determined Assets (Net capital employed) as a measure to assess capital intensity of the segments. Its definition corresponds to the Profit measure except for amortization expenses of intangible assets acquired in business combinations which are not part of Profit; however, the related intangible assets are included in the segments' Assets. Segment Assets is based on Total assets of the Combined Statements of Financial Position, primarily excluding financing receivables from Siemens Group and tax related assets, since the corresponding positions are excluded from Profit. The remaining assets are reduced by non-interest-bearing liabilities other than tax related liabilities, e.g. trade payables, to derive Assets.

Free cash flow

Free cash flow constitutes cash flows from operating activities less additions to intangible assets and property, plant and equipment. Free Cash Flow on segment level, further excludes financing interest and income tax as well as certain other payments and proceeds.

Amortization, depreciation and impairments

Amortization, depreciation and impairments includes depreciation and impairments of property, plant and equipment as well as amortization and impairments of intangible assets each net of reversals of impairment.

Reconciliation to Combined Financial Statements

Profit

(in millions of €)	Fiscal year		
	2017	2016	2015
Total Segments	2,521	2,371	2,187
Centrally carried pension expense	(57)	(63)	(46)
Amortization of other intangible assets acquired in business combinations	(147)	(179)	(180)
Eliminations, Corporate Treasury, Corporate Items, other items	(274)	(210)	(85)
Reconciliation to Combined Financial Statements	(477)	(453)	(311)
Siemens Healthineers – Income before income taxes	2,044	1,918	1,876

In fiscal 2017, 2016 and 2015, Corporate Treasury includes interest expense of €246 million, €177 million and €82 million, respectively, related to loans with Siemens Group.

Assets

(in millions of €)	Sep 30,		
	2017	2016	2015
Total Segments	10,761	11,185	11,238
Assets pensions	24	2	2
Assets Real Estate	578	615	449
Asset-based adjustments			
Receivables from Siemens Group	4,356	3,952	4,056
Tax-related assets	498	594	328
Liability-based adjustments			
Payables and other liabilities to Siemens Group	10,962	11,467	10,493
Tax-related liabilities	365	310	296
Eliminations, Corporate Treasury, Corporate Items, other items	(7,104)	(7,830)	(7,405)
Reconciliation to Combined Financial Statements	9,679	9,110	8,219
Siemens Healthineers – Total assets	20,440	20,295	19,457

Free Cash Flow

(in millions of €)	Fiscal year		
	2017	2016	2015
Total Segments	2,222	2,263	2,103
Central Items	(136)	(155)	(48)
Tax-related Cash Flows	(567)	(686)	(505)
Other items	(10)	2	(5)
Siemens Healthineers – Free Cash Flow	1,509	1,425	1,545
Remaining Cash Flows from investing activities ¹	13	(12)	367
Cash Flows from financing activities	(1,532)	(1,279)	(1,853)
Effect of foreign exchange rates on cash and cash equivalents	(12)	(1)	(5)
Change in cash and cash equivalents	(22)	133	54

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

NOTE 24 **Information about geographies**

(in millions of €)	Revenue by location of customers			Revenue by location of companies		
	2017	Fiscal year 2016	2015	2017	Fiscal year 2016	2015
Europe, C.I.S., Africa, Middle East	4,380	4,423	4,366	5,034	5,046	4,996
Americas	5,599	5,496	5,184	5,572	5,462	5,141
Asia, Australia	3,817	3,628	3,386	3,191	3,039	2,799
Siemens Healthineers	13,796	13,547	12,936	13,796	13,547	12,936
<i>thereof Germany</i>	885	859	848	1,727	1,713	1,703
<i>thereof foreign countries</i>	12,911	12,688	12,088	12,069	11,834	11,233
<i>therein U.S.</i>	4,687	4,656	4,276	4,709	4,681	4,311

(in millions of €)	Non-current assets		
	2017	Sep 30, 2016	2015
Europe, C.I.S., Africa, Middle East	3,504	3,525	3,383
Americas	6,883	7,149	7,109
Asia, Australia	697	735	684
Siemens Healthineers	11,083	11,409	11,177
<i>thereof Germany</i>	1,655	1,618	1,423
<i>thereof foreign countries</i>	9,429	9,791	9,754
<i>therein U.S.</i>	6,381	6,635	6,615

Non-current assets consist of property, plant and equipment, goodwill and other intangible assets.

NOTE 25 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 fiscal 2017, 2016 and 2015 are presented in the following table:

	Sales of goods and services and other income			Purchases of goods and services and other expenses		
	Fiscal year			Fiscal year		
(in millions of €)	2017	2016	2015	2017	2016	2015
Siemens Group	290	275	257	658	679	707

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. The sale of goods and services to Siemens Group mainly includes sale of equipment from Siemens Healthineers to SFS, who leases this equipment to external customers under a finance lease agreement.

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 the amount of €496 million, €492 million and €444 million in fiscal 2017, 2016 and 2015.

Share-based payments

Siemens Healthineers' employees participate in share-based payment awards implemented by Siemens AG. Siemens AG delivers the respective shares on behalf of Siemens Healthineers and is reimbursed by Siemens Healthineers (see Note 21 – Share-based payments).

Insurances

Siemens Healthineers is covered by the group insurance of Siemens Group. Furthermore, there are additional contracts for individual insurance services between entities of Siemens Healthineers and Siemens Group, the costs for which are borne by Siemens Healthineers.

Receivables from and payables to Siemens Group

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

	Receivables			Payables		
	Sep 30,			Sep 30,		
(in millions of €)	2017	2016	2015	2017	2016	2015
Siemens Group	4,356	3,952	4,056	10,962	11,466	10,493
therein						
from Siemens Credit Warehouse	175	153	230	-	-	-
from financing activities	4,163	3,780	3,799	10,040	10,507	9,644
from other items	17	19	27	922	959	849

Siemens Credit Warehouse

Siemens Healthineers participates in the factoring program called “Siemens Credit Warehouse”. Siemens Healthineers transfers trade receivables to Siemens Group including all relevant collection risks, but is still responsible for the administration of the trade receivables.

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.

Siemens Healthineers has long-term receivables with Siemens Group amounting to €1,365 million as of September 30, 2017 (September 30, 2016: €0, and September, 30 2015: €0) with maturities in March 2021.

Siemens Group provides short- and long-term loans to Siemens Healthineers. For additional information, see *Note 14 - Debt*.

Other items

On November 26, 2014, Siemens AG and Siemens Healthcare GmbH concluded a domination and profit and loss transfer agreement (“Beherrschungs- und Gewinnabführungsvertrag”). Other items include the payable in relation to this profit and loss transfer in fiscal 2017, 2016 and 2015. The profits transferred in fiscal 2017, 2016 and 2015 amounted to €815 million, €909 million and €806 million, respectively.

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

Leasing

Siemens Healthineers has entered into leasing transactions with Siemens Group mainly relating to IT equipment. As of September 30, 2017, the outstanding minimum lease payments are €6 million (September 30, 2016: €5 million, and September, 30 2015: €4 million). The average weighted interest rate in fiscal 2017 is 5.0% (fiscal 2016: 5.0% and fiscal 2015: 4.5%). In addition, several operating lease agreements exist between Siemens Healthineers and Siemens Group, in particular with respect to real estate.

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 Combined 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 €446 million as of September 30, 2017 (September 30, 2016: €494 million and September 30, 2015: €619 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.

For additional information, see *Note 15 - Provisions for pensions and similar obligations*.

Dividends proposed or declared

Dividends to the Siemens Group in an amount of €211 million are proposed or declared before the issuance of the Combined Financial Statements, but not yet recognized as a distribution to owners in the Combined Financials Statements in the periods presented.

Joint Ventures and Associates

In fiscal 2017 Siemens Healthineers purchased goods and services from Siemens Healthineers joint ventures and associates in an amount of €61 million (fiscal 2016: €62 million and fiscal 2015: €72 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.

In fiscal 2017, the members of the Managing Board of Siemens Healthineers received cash compensation of €4.3 million (fiscal 2016: €4.1 million and fiscal 2015 €4.2 million). The fair value of stock-based compensation amounts to €1.3 million in fiscal 2017 (fiscal 2016: €1.3 million and fiscal 2015: €0.7 million). In fiscal 2017, contributions under the BSAV are granted to members of the Managing Board totaling €0.6 million (fiscal 2016: €0.6 million and fiscal 2015: €0.7 million).

Therefore, the total compensation and benefits attributable to the Managing Board of Siemens Healthineers amount to €6.2 million in fiscal 2017 (fiscal 2016: €6.0 million and fiscal 2015 €5.6 million).

In fiscal 2017, expense related to share-based payments amounts to €2.2 million (fiscal 2016: €2.7 million and fiscal 2015: €0.7 million).

The Supervisory Board of Siemens Healthcare GmbH consists of 16 members as of September 30, 2017, thereof 8 employees' representatives. In fiscal 2017, the remuneration of the Supervisory Board members amounts to €0.1 million (fiscal 2016: €0.1 million and fiscal 2015 €0.0 million), whereby most of the shareholder's representatives in the Supervisory Board waive their right to compensation for their activities as members of the Supervisory Board in the periods presented. The employees' representatives on the Supervisory Board (with the exception of those members who are nominated by the labor union) have labor contracts with the respective Siemens Healthineers' entities.

Siemens Group maintains a directors and officers insurance ("D&O") for the members of the Managing Board of Siemens Healthineers. The insurance policy covers the personal liability risk, in the event that a claim for pecuniary damages is made against a member of the Managing Board of Siemens Healthineers in conjunction with his or her performance of duties. The related costs are charged by Siemens Group to Siemens Healthineers.

In fiscal 2017, 2016 and 2015, no other major transactions took place between Siemens Healthineers and members of the Managing Board of Siemens Healthineers or between Siemens Healthineers and members of the Supervisory Board of Siemens Healthcare GmbH.

Some of the board members hold, or in the last years have held, positions of significant responsibility with other entities. Siemens Healthineers has relationships with almost all of these entities in the ordinary course of business.

NOTE 26 Effects from the adoption of IFRS 15

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 will adopt the standard for the fiscal year beginning as of October 1, 2017 retrospectively, i.e. the comparable period will be presented in accordance with IFRS 15.

The adoption of IFRS 15 as of October 1, 2017 and the preparation of the comparable period for fiscal 2017 confirmed that there will be no significant impacts on Siemens Healthineers' Financial Statements. Retained earnings as of October 1, 2016 will increase 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. As illustrated below, changes in the total amount of revenue to be recognized for a customer contract are very limited. Besides, there will be changes to the Statement of Financial Position, e.g. separate line items for contract assets and contract liabilities are required, and quantitative and qualitative disclosures are added.

The following table illustrates the effects of IFRS 15 to the Combined Statements of Income, if the standard would have already been applied in fiscal 2017:

	Fiscal year 2017		
	Pre-adjustment	Adjustment	Post-adjustment
(in millions of €)			
Revenue	13,796	(119)	13,677
Cost of sales	(8,034)	52	(7,982)
Gross profit	5,762	(67)	5,695
Research and development expenses	(1,253)	-	(1,253)
Selling and general administrative expenses	(2,222)	-	(2,222)
Other operating income	22	-	22
Other operating expenses	(19)	-	(19)
Income from investments accounted for using the equity method, net	9	-	9
Interest income	12	-	12
Interest expenses	(267)	-	(267)
Other financial income (expenses), net	-	-	-
Income before income taxes	2,044	(67)	1,977
Income tax expenses	(600)	19	(581)
Net income	1,444	(48)	1,396

Under IFRS 15 revenue is generally recognized earlier compared to legacy regulations as indicated by the increase of retained earnings as of October 1, 2016. However, the effect from revenue acceleration in fiscal year 2017 under IFRS 15 would have been overcompensated by a higher effect from revenue acceleration as of October 1, 2016. The difference in revenue of €119 million would have been assigned to periods prior to fiscal 2017.

The following table illustrates the effects of IFRS 15 to the Combined Statements of Financial Position, if the standard would have already been applied in fiscal 2017:

Siemens Healthineers
Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

(in millions of €)	Sep 30, 2017		
	Pre-adjustment	Adjustment	Post-adjustment
Assets			
Cash and cash equivalents	184	-	184
Trade and other receivables	2,200	108	2,308
Other current financial assets	57	-	57
Receivables from Siemens Group	2,991	-	2,991
Contract assets	-	294	294
Inventories	1,323	282	1,605
Current income tax assets	79	-	79
Other current assets	276	-	276
Total current assets	7,110	684	7,794
Goodwill	7,992	-	7,992
Other intangible assets	1,525	-	1,525
Property, plant and equipment	1,566	-	1,566
Investments accounted for using the equity method	33	-	33
Other financial assets	162	-	162
Other receivables from Siemens Group	1,365	-	1,365
Deferred tax assets	419	(11)	408
Other assets	268	-	268
Total non-current assets	13,330	(11)	13,319
Total assets	20,440	673	21,113
Liabilities and equity			
Short-term debt and current maturities of long-term debt	55	-	55
Trade payables	1,120	-	1,120
Other current financial liabilities	72	-	72
Payables to Siemens Group	5,795	-	5,795
Contract liabilities	-	1,406	1,406
Current provisions	314	(24)	290
Current income tax liabilities	122	-	122
Other current liabilities	1,797	(547)	1,250
Total current liabilities	9,275	835	10,110
Long-term debt	15	-	15
Provisions for pensions and similar obligations	1,732	-	1,732
Deferred tax liabilities	243	16	259
Provisions	153	-	153
Other financial liabilities	23	-	23
Other liabilities	590	(225)	365
Other liabilities to Siemens Group	5,167	-	5,167
Total non-current liabilities	7,923	(209)	7,714
Total liabilities	17,198	626	17,824
Total equity	3,242	47	3,289
Total liabilities and equity	20,440	673	21,113

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 would have been reflected in the Combined Statements of Financial Position of Siemens Healthineers as of September 30, 2017:

- 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.

NOTE 27 Subsequent events

On October 31, 2017, Siemens Healthineers successfully completed the acquisition of Epocal, Inc. (U.S.) from Abbott Laboratories. Epocal develops and provides point-of-care blood diagnostic systems for healthcare enterprises and it allows Siemens Healthineers to complete its blood gas portfolio. Epocal will be integrated in the Diagnostics segment. Because the process of fair valuing the Epocal business has not been completed as of the date of issuance of these Combined Financial Statements, the initial accounting for the business combination is incomplete.

On December 19, 2017, Siemens Healthineers successfully completed the acquisition of all shares in Luxembourg-based FTD Investments S.à r.l. Fast Track Diagnostics (FTD) provides globally a broad range of diagnostic tests, covering major disease groups.

On December 22, 2017, the U.S. tax reform (the „Tax Cuts and Jobs Act“) was passed into Law. Siemens Healthineers expects that it will have a significant one-time impact on the valuation of deferred taxes.

In the period after the reporting date but prior to the issuance of the Combined 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 Combined Financial Statements.

NOTE 28 **Scope of combination**

a) List of legal entities fully included in the scope of combination

The shown shareholding in percentage refers to Siemens Healthineers.

	Equity interest in %		
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2015
Germany (Status as of 30.09.2017: 10 companies)			
Dade Behring Beteiligungs GmbH, Eschborn	-	100	100
Dade Behring Grundstücks GmbH, Marburg	100	100	100
NEO New Oncology GmbH, Cologne	100	100	-
Siemens Healthcare Diagnostics GmbH, Eschborn	100	100	100
Siemens Healthcare Diagnostics Holding GmbH, Eschborn	100	100	100
Siemens Healthcare Diagnostics Products GmbH, Marburg	100	100	100
Siemens Healthcare GmbH, Erlangen	100	100	100
Siemens Medical Solutions Health Services GmbH, Grünwald	100	100	100
Siemens Real Estate GmbH & Co. KG, Grünwald	94	94	-
Siemens Real Estate Management GmbH, Grünwald	94 ¹	94 ¹	-
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (Status as of 30.09.2017: 52 companies)			
Conworx Medical IT Ltd., Marlow, Buckinghamshire/United Kingdom	100	-	-
ITH icoserve technology for healthcare GmbH, Innsbruck/Austria	69	69	69
Petnet Soluciones, S.L., Sociedad Unipersonal, Madrid/Spain	-	-	100
PETNET Solutions SAS, Lisses/France	100	100	100
SCIENTIFIC MEDICAL SOLUTION DIAGNOSTICS S.A.R.L., Casablanca/Morocco	-	100	100
Siemens Diagnostics Holding II B.V., The Hague/Netherlands	100	100	100
Siemens Healthcare (Private) Limited, Lahore/Pakistan	100	100	-
Siemens Healthcare A/S, Ballerup/Denmark	100	100	100
Siemens Healthcare AB, Stockholm/Sweden	100	100	100
Siemens Healthcare AG, Zurich/Switzerland	100	100	100
Siemens Healthcare AS, Oslo/Norway	100	100	100
Siemens Healthcare d.o.o., Ljubljana/Slovenia	100	100	100
Siemens Healthcare d.o.o., Zagreb/Croatia	100	100	-
Siemens Healthcare d.o.o. Beograd, Belgrade/Serbia	100	100	-
Siemens Healthcare Diagnostics (Pty.) Limited, Isando/South Africa	-	-	100
Siemens Healthcare Diagnostics GmbH, Vienna/Austria	100	100	100
Siemens Healthcare Diagnostics GmbH, Zurich/Switzerland	100	100	100
Siemens Healthcare Diagnostics Ltd., Frimley, Surrey/United Kingdom	100	100	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Frimley, Surrey/United Kingdom	100	100	100
Siemens Healthcare Diagnostics Products Ltd., Frimley, Surrey/United Kingdom	100	100	100
Siemens Healthcare EOOD, Sofia/Bulgaria	100	100	100
Siemens Healthcare FZ LLC, Dubai/United Arab Emirates	100	100	-
Siemens Healthcare Industrial and Commercial Société Anonyme, Athens/Greece	100	100	100
Siemens Healthcare Kft., Budapest/Hungary	100	100	100
Siemens Healthcare L.L.C., Dubai/United Arab Emirates	49 ²	49 ²	-
Siemens Healthcare Limited, Frimley, Surrey/United Kingdom	100	100	100 ¹
Siemens Healthcare Limited, Riyadh/Saudi Arabia	51	-	-

¹ Not consolidated due to immateriality.

² Control due to rights to appoint, reassign or remove members of the key management personnel.

³ Not used.

⁴ Control due to a majority of voting rights.

⁵ Not accounted for using the equity method due to immateriality.

⁶ No significant influence due to contractual arrangements or legal circumstances.

Siemens Healthineers

Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

Siemens Healthcare Limited Liability Company, Kiev/Ukraine	100	100	-
Siemens Healthcare Limited Liability Company, Moscow/Russian Federation	100	100	100 ¹
Siemens Healthcare Limited Liability Partnership, Almaty/Kazakhstan	100	100	100 ¹
Siemens Healthcare Ltd., Rosh Ha'ayin/Israel	100	100	-
Siemens Healthcare Medical Solutions Limited, Swords, County Dublin/Ireland	100	100	100 ¹
Siemens Healthcare Nederland B.V., The Hague/Netherlands	100	100	100
Siemens Healthcare Oy, Espoo/Finland	100	100	100
Siemens Healthcare Proprietary Limited, Halfway House/South Africa	100	100	100
Siemens Healthcare S.A.E., Cairo/Egypt	100	100	100
Siemens Healthcare S.r.l., Bucharest/Romania	100	100	-
Siemens Healthcare S.r.l., Milan/Italy	100	100	100
Siemens Healthcare s.r.o., Bratislava/Slovakia	100	100	100
Siemens Healthcare SA/NV, Beersel/Belgium	100	100	100
Siemens Healthcare Saglik Anonim Sirketi, Istanbul/Turkey	100	100	100 ¹
Siemens Healthcare SARL, Casablanca/Morocco	100	100 ¹	-
Siemens Healthcare SAS, Saint-Denis/France	100	100	100
Siemens Healthcare Sp. z o.o., Warsaw/Poland	100	100	100
Siemens Healthcare, Lda., Amadora/Portugal	100	100	100
SIEMENS HEALTHCARE, S.L.U., Getafe/Spain	100	100	100
Siemens Healthcare, s.r.o., Prague/Czech Republic	100	100	100
Siemens Healthineers Holding III B.V., The Hague/Netherlands	100	-	-
Siemens Medical Solutions Diagnostics Holding I B.V., The Hague/Netherlands	100	100	100
Siemens Medicina d.o.o, Sarajevo/Bosnia and Herzegovina	100	100	100
Siemens Limited for Trading, Cairo/Egypt	100	100	100
Steiermärkische Medizinarchiv GesmbH, Graz/Austria	52	52	52

Americas (Status as of 30.09.2017: 27 companies)

10367079 CANADA INC., Oakville/Canada	100	-	-
Dade Behring Hong Kong Holdings Corporation, Tortola/Virgin Islands, British	100	100	100
Dade Behring, S.A. de C.V., México, D.F./Mexico	-	-	100
Dedicated2Imaging LLC, Wilmington, DE/United States of America	80	-	-
P.E.T.NET Houston, LLC, Austin, TX/United States of America	51	51	51
PETNET Indiana LLC, Indianapolis, IN/United States of America	50 ⁴	50 ⁴	50 ⁴
PETNET Solutions Cleveland, LLC, Wilmington, DE/United States of America	63	63	63
PETNET Solutions, Inc., Knoxville, TN/United States of America	100	100	100
Siemens Healthcare Diagnósticos Ltda., São Paulo/Brazil	100	100	100
SIEMENS HEALTHCARE DIAGNOSTICS GUATEMALA, S.A., Guatemala/Guatemala	99	99	99
Siemens Healthcare Diagnostics Inc., Los Angeles, CA/United States of America	100	100	100
Siemens Healthcare Diagnostics Manufacturing Limited, Grand Cayman/Cayman Islands	100	100	100
Siemens Healthcare Diagnostics Panama, S.A., Panama City/Panama	100	100	100
Siemens Healthcare Diagnostics S.A., San José/Costa Rica	100	100	100
Siemens Healthcare Diagnostics, S. de R.L. de C.V., Mexico City/Mexico	100	100	100
Siemens Healthcare Equipos Médicos Sociedad por Acciones, Santiago de Chile/Chile	100	100	100 ¹
Siemens Healthcare Laboratory, LLC, Wilmington/United States of America	100	-	-
Siemens Healthcare Limited, Oakville/Canada	100	100	100 ¹
Siemens Healthcare S.A., Buenos Aires/Argentina	100	100	100 ¹
Siemens Healthcare S.A., Caracas/Venezuela	100 ¹	100 ¹	100 ¹
Siemens Healthcare S.A.C., Surquillo/Peru	100	100	100 ¹
Siemens Healthcare S.A.S., Tenjo/Colombia	100	100	-

¹ Not consolidated due to immateriality.

² Control due to rights to appoint, reassign or remove members of the key management personnel.

³ Not used.

⁴ Control due to a majority of voting rights.

⁵ Not accounted for using the equity method due to immateriality.

⁶ No significant influence due to contractual arrangements or legal circumstances.

Siemens Healthineers

Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

Siemens Healthcare Servicios S. de R.L. de C.V., Mexico City/Mexico	100	100	100 ¹
Siemens Healthcare, Sociedad Anónima, Antiguo Cuscatlán/El Salvador	100	100	100 ¹
Siemens Medical Solutions USA, Inc., Wilmington, DE/United States of America	100	100	100
Siemens Molecular Imaging, Inc., Wilmington, DE/United States of America	100	100	100
Siemens-Healthcare Cia. Ltda., Quito/Ecuador	100	100 ¹	-
Asia, Australia (Status as of 30.09.2017: 24 companies)			
Acrorad Co., Ltd., Okinawa/Japan	63	63	57
DPC (Tianjin) Co., Ltd., Tianjin/China	100	100	100
PETNET Radiopharmaceutical Solutions Pvt. Ltd., New Delhi/India	100	100	100
Siemens Healthcare Diagnostics (Shanghai) Co. Ltd., Shanghai/China	100	100	100
Siemens Healthcare Diagnostics K.K., Tokyo/Japan	100	100	100
Siemens Healthcare Diagnostics Manufacturing Ltd., Shanghai, Shanghai/China	100 ¹	-	-
Siemens Healthcare Inc., Manila/Philippines	100	100	100 ¹
Siemens Healthcare K.K., Tokyo/Japan	100	100	-
Siemens Healthcare Limited, Auckland/New Zealand	100	100	100
Siemens Healthcare Limited, Bangkok/Thailand	100	100	100
Siemens Healthcare Limited, Ho Chi Minh City/Viet Nam	100	100	100 ¹
Siemens Healthcare Limited, Hong Kong/Hong Kong, China	100	100	100
Siemens Healthcare Limited, Seoul/South Korea	100	100	-
Siemens Healthcare Limited, Taipei/Taiwan, Province of China	100	100	100
Siemens Healthcare Ltd., Dhaka/Bangladesh	100	100 ¹	-
Siemens Healthcare Ltd., Shanghai/China	100	100	-
Siemens Healthcare Private Limited, Mumbai/India	100	100	100 ¹
Siemens Healthcare Pte. Ltd., Singapore/Singapore	100	100	100
Siemens Healthcare Pty. Ltd., Melbourne/Australia	100	100	100
Siemens Healthcare Sdn. Bhd., Petaling Jaya/Malaysia	100	100	100
Siemens Shanghai Medical Equipment Ltd., Shanghai/China	100	100	100
Siemens Shenzhen Magnetic Resonance Ltd., Shenzhen/China	100	100	100
Siemens Technology Development Co., Ltd. of Beijing, Beijing/China	90	90	90
Siemens X-Ray Vacuum Technology Ltd., Wuxi, Wuxi/China	100	100	100

b) List of associates, joint ventures and other investments included in the scope of combination.
The shown shareholding in percentage refers to Siemens Healthineers.

	Equity interest in %		
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2015
ASSOCIATED COMPANIES AND JOINT VENTURES			
Germany (Status as of 30.09.2017: 2 companies)			
MeVis BreastCare GmbH & Co. KG, Bremen	49	49	49
MeVis BreastCare Verwaltungsgesellschaft mbH, Bremen	49 ⁵	49 ⁵	49 ⁵
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (Status as of 30.09.2017: 3 companies)			
Impilo Consortium (Pty.) Ltd., La Lucia/South Africa	31	31	31
Meomed s.r.o., Prerov/Czech Republic	47 ⁵	47 ⁵	47 ⁵
TRIXELL SAS, Moirans/France	25	25	25
Americas (Status as of 30.09.2017: 2 companies)			

¹ Not consolidated due to immateriality.

² Control due to rights to appoint, reassign or remove members of the key management personnel.

³ Not used.

⁴ Control due to a majority of voting rights.

⁵ Not accounted for using the equity method due to immateriality.

⁶ No significant influence due to contractual arrangements or legal circumstances.

Siemens Healthineers

Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

PhSiTh LLC, New Castle, DE/United States of America	33	33	33
USARAD Holdings, Inc., Fort Lauderdale, FL/United States of America	30 ⁵	30 ⁵	25 ⁵
Asia, Australia (Status as of 30.09.2017: 1 company)			
Xi' An X-Ray Target Ltd., Xi'an/China	43	43	43

OTHER INVESTMENTS

Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (Status as of 30.09.2017: 2 companies)

STAT Diagnostica & Innovation, S.L., Barcelona/Spain	6	-	-
Medical Systems S.p.A., Genoa/Italy	45 ⁶	45 ⁶	45 ⁶

Americas (Status as of 30.09.2017: 2 companies)

Adarza BioSystems, Inc., West Henrietta, NY/United States of America	18	19	16
Seventh Sense Biosystems, Inc., Cambridge, MA/United States of America	5	6	5

c) List of legal entities partially included in the scope of combination with material Siemens Healthineers business

The illustrated crosses mark those years, in which there has been material Healthineers business in the respective entities.

	Sep 30, 2017	Sep 30, 2016	Sep 30, 2015
Germany (Status as of 30.09.2017: 1 company)			
Siemens AG - Sector Healthcare, Erlangen/Germany	-	-	X
Europe, Commonwealth of Independent States (C.I.S.), Africa, Middle East (without Germany) (Status as of 30.09.2017: 31 companies)			
Siemens Ltd., Riad/Saudi Arabia	X	X	X
Siemens LLC, Abu Dhabi/United Arab Emirates	-	X	X
Siemens S.A., Casablanca/Morocco	-	-	X
Siemens Israel Ltd., Rosh Ha'ayin/Israel	-	X	X
Siemens S.A./N.V., Beersel/Belgium	-	-	X
Siemens A/S, Ballerup/Denmark	-	-	X
Siemens Osakeyhtiö, Espoo/Finland	-	-	X
Siemens A.E., Elektrotechnische Projekte und Erzeugnisse, Athens/Greece	-	X	X
Siemens plc, Frimley, Surrey/United Kingdom	-	-	X
Siemens Limited, Dublin/Ireland	-	-	X
Siemens S.p.A., Milan/Italy	-	-	X
Siemens Nederland N.V., The Hague/Netherlands	-	-	X
Siemens AS, Oslo/Norway	-	-	X
Siemens Aktiengesellschaft Österreich, Vienna/Austria	-	X	X
Siemens S.A., Amadora/Portugal	-	X	X
Siemens AB, Upplands Väsby/Sweden	-	X	X
Siemens d.d., Zagreb/Croatia	-	X	X
Siemens S.A., Madrid/Spain	-	-	X
Siemens Sanayi ve Ticaret A.S., Istanbul/Turkey	-	X	X
OOO Siemens, Moscow/Russian Federation	X	X	X
Siemens Technologies S.A.E., Cairo/Egypt	X	X	X
Siemens Proprietary Limited, Midrand/South Africa	-	-	X
Siemens S.R.L., Bucharest/Romania	-	X	X
Siemens, s.r.o., Prague/Czech Republic	-	-	X
Siemens W.L.L., Manama/Bahrain	-	-	X

¹ Not consolidated due to immateriality.

² Control due to rights to appoint, reassign or remove members of the key management personnel.

³ Not used.

⁴ Control due to a majority of voting rights.

⁵ Not accounted for using the equity method due to immateriality.

⁶ No significant influence due to contractual arrangements or legal circumstances.

Siemens Healthineers

Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

Siemens Middle East Limited, Masdar City/United Arab Emirates	-	X	X
Siemens SAS, Saint-Denis/France	-	-	X
Siemens Schweiz AG, Zurich/Switzerland	-	-	X
Siemens Zrt., Budapest/Hungary	-	-	X
Siemens s.r.o., Bratislava/Slovakia	-	-	X
Siemens Sp. z o.o., Warsaw/Poland	-	-	X
Americas (Status as of 30.09.2017: 12 companies)			
Siemens S.A.C., Lima/Peru	-	X	X
Siemens S.A., Santiago de Chile/Chile	-	X	X
Siemens S.A., Buenos Aires/Argentina	-	-	X
Siemens S.A., San José/Costa Rica	-	X	X
Siemens S.A., Antigua Cuscatlán/El Salvador	-	X	X
Siemens Canada Limited, Oakville/Canada	-	-	X
Siemens S.A., Tenjo/Colombia	-	X	X
Siemens, S.A. de C.V., Mexico City/Mexico	-	X	X
Siemens S.A., Caracas/Venezuela	-	X	X
Siemens S.A., Quito/Ecuador	-	X	X
Siemens S.A., Montevideo/Uruguay	X	X	X
Siemens Ltda., São Paulo/Brazil	-	X	X
Asia, Australia (Status as of 30.09.2017: 16 companies)			
Siemens International Trading Ltd., Shanghai, Shanghai/China	-	X	X
Siemens, Inc., Manila/Philippines	-	X	X
Siemens Ltd., China, Beijing/China	-	X	X
Siemens Bangladesh Ltd., Dhaka/Bangladesh	-	X	X
Siemens Ltd., Mumbai/India	-	X	X
P.T. Siemens Indonesia, Jakarta/Indonesia	X	X	X
Siemens Healthcare K.K., Tokyo/Japan	-	-	X
Siemens Ltd. Seoul, Seoul/South Korea	-	-	X
Siemens Ltd., Taipei/Taiwan	-	X	X
Siemens Ltd., Ho Chi Minh City/Viet Nam	-	-	X
Siemens Limited, Bangkok/Thailand	-	-	X
Siemens Ltd., Hong Kong/Hong Kong	-	-	X
Siemens Malaysia Sdn. Bhd., Petaling Jaya/Malaysia	-	-	X
Siemens Ltd., Bayswater/Australia	-	-	X
Siemens Pte. Ltd., Singapore/Singapore	-	-	X
Siemens (N.Z.) Limited, Auckland/New Zealand	-	-	X

Siemens Healthineers

Notes to the Combined Financial Statements
for the fiscal years ended September 30, 2017, 2016 and 2015

Munich, January 8, 2018

Siemens Healthineers

Dr. Bernd Montag
CEO

Dr. Jochen Schmitz
CFO