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SHLG.DE - Q4 2025 Siemens Healthineers AG Earnings Call

EVENT DATE/TIME: NOVEMBER 05, 2025 / 7:00AM GMT

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## PRESENTATION

### Operator

Good morning, ladies and gentleman and welcome to Siemens Healthineers conference call. As a reminder, this conference is being recorded. Before we begin, I would like to draw your attention to the safe harbor statement on page 2 of the Siemens Healthineers presentation. This conference call may include forward-looking statements. These statements are based on the company's current expectations and certain assumptions and are therefore subject to certain risks and uncertainties.

At this time, I would like to turn the call over to your host today, Mr. Marc Koebernick, Head of Investor Relations. Please go ahead, sir.

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### Marc Koebernick - Siemens Healthineers AG - Head - Investor Relations

Thank you, operator. Good morning and welcome to our fourth quarter '25 earnings call. It's great that you are tuning in again today. At 7:00 AM we published our Q4 results, and the materials for today's results are all available on the IR section of the Siemens Healthineers website. It is common practice that our CEO, Bernd Montag; and our CFO, Jochen Schmitz will be presenting to you what you need to know about our Q4 of fiscal '25 and about the outlook 2026.

After their presentation, we will have a Q&A session. (Event Instructions) Additionally, please note that a full transcript and recording of today's call will be made available on our Investor Relations website.

Again, thank you for being here and now I'll turn it over to our CEO, Bernd Montag.

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**Bernhard Montag** - Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board

Thank you, Marc. Dear analysts and investors, welcome to our year-end earnings call. Many thanks for joining. We closed fiscal year '25 successfully with a solid quarter and achieved our guidance. Growth came in at the upper end of our outlook range, and we grew in all regions except China. This broad-based growth was fueled by healthy global demand, and our leading position in the market reflected in the book to bill of 1.14 for the fiscal year '25.

We are very satisfied with the performance in terms of adjusted EPS which is well within the upper half of the outlook range. Excluding tariffs, adjusted EPS would even be above the upper end of our initial outlook provided back in November '24. I'm also very happy about the development of our free cash flow throughout the year, improving our leverage to 2.8 times EBITDA.

So we have finished this year strongly as indicated early on, all resulting in a proposed dividend increase to EUR1. Let me briefly also run through the highlights of our segments. Imaging, Varian, and Advanced Therapies taken altogether increased revenue by almost 8%, driven by excellent performance in Imaging with continued margin expansion from scale excluding tariffs.

I'm very proud to see that Varian since the combination has grown every single year by at least high single-digit percentages. The margin expansion in Varian excluding tariffs reached the upper end of our initial segment assumption of November '24, and Advanced Therapies contributed solid growth by keeping margins stable after a step up in margin last year.

With a successful and diligent implementation of our transformation program in diagnostics, we have achieved another step change in profitability despite market challenges in China in fiscal year '25, and most importantly, we have prepared the business for future success.

With this, I would like to hand over to Jochen.

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**Jochen Schmitz** - Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

Yeah. Thank you, Bernd. I will start with some color on the strong equipment book to bill of 1.12 in Q4. Book to bill was again clearly above 1 in Imaging, in Varian, and in Advanced Therapies, which underlies the healthy growth trajectory. The businesses in all segments is well on track. Equipment book to build in China continued to be around 1. Revenue in China also continued at around the EUR620 million mark in Q4, as in previous quarters. And there is still no sign in our numbers of a sustained market recovery in China, and this has implications also for our outlook. I will comment on China towards the end of my presentation again.

Aside from China, we saw revenue growth across the Board with excellent growth in the Americas, and EMEA continued to grow on high absolute levels. I am particularly happy with the solid revenue growth for the group in Q4 at this fiscal year we successfully rebalanced the load over the quarters, taking some burden off Q4. In the first nine months of fiscal year 2024, we grew by 4.3% and then had a strong finish with 6.5% ex antigen in Q4. This fiscal year we grew by 6.8% in the first nine months and finished the year with a solid 3.7% in Q4.

On earnings, the year-over-year margin development was mainly impacted by tariffs, excluding tariffs, the Q4 margin expanded by more than 100 base points driven by the strong operational margin expansion ex tariffs in the segments. Earnings per share, including tariffs were at the prior quarter level. Excluding tariffs, EPS would be around 0.74, i.e., growing by 10% year-over-year.

And now let me run through the segment performances starting with Imaging. In Imaging, our PETNET business and Photon Counting CT stood out as gross drivers again this quarter. Lifting Imaging revenue by 6.5% versus tough comps of 8% in the prior year quarter.

Imagings adjusted EBIT margin in Q4 face roughly 350 base points of headwinds in total from tariffs, unfavorable business mix and negative impact from special items. The special items were headwinds worth the excellent margin in the prior year quarter, for example, in the shift of government grants from Q4 to Q3 or a provision increase necessary for service field inspections.

And now to our segments focusing on therapy, Varian and Advanced Therapies. Since '23, Varian has had a cascade of double-digit Q4s in revenue growth. Based on that, Varian grew 1.4% on very, very tough comps. The lumpiness from prior year quarters is reflected in this year's Q4 growth rate, with very consistent revenue delivery in absolute terms over the whole fiscal year and over the quarters for fiscal year 2025. Margin development though is very good at Varian, excluding tariff impacts Varian achieved a strong 21.5% margin driven mainly by favorable business mix.

Advanced Therapies showed solid revenue growth of 3.8% and generated a solid 19.5% margin excluding tariffs on the strong level of the prior year quarter. And now let's complete the segment run through with diagnostics. Diagnostics posted flattish year over year revenue due to volume-based procurement in China. We have already pointed to this impacting the second half of this fiscal year and that this will carry over into the next fiscal year until the impact is fully annualized in revenues as a new baseline.

This expectation materializes as indicated nonetheless, the margin expansion in diagnostic is still very well on track. The marginal expansion benefited from a weaker prior year quarter. We said last year that the Q4 margin in fiscal '24, excluding negative FX related to prior year periods was around 7%. Taking this into consideration the year over year marginal expansion in Q4 was driven by operational improvements despite a negative effect of roughly 100 base points from tariffs.

And now let's have a look at the revenue and margin performance of the group in Q4. With Q4 we grew year over year revenues ex foreign exchange each quarter for the third consecutive year, a strong testament to our revenue growth performance. Excluding tariffs, this track record also holds for group margin expansion.

Year-over-year and sequential margin expansion for the third consecutive year. A strong proof point that operationally we consistently turn our strong revenue growth into operational earnings growth, and this brings me to the outlook for fiscal year 2026.

We expect our growth trajectory to continue this year. In fiscal year 2026, we expect comparable revenue growth of 5% to 6%. As in the previous year, we have decided to be prudent in terms of assessing growth opportunities in China.

We have been saying throughout 2025 that we need to see a sustained recovery to become more optimistic. We have not seen this so far and have hence decided again to assume flattish revenue in China for fiscal year 2026. Beyond this, we expect our good operational earnings performance to continue. However, In fiscal year 2026, we expect earnings growth to be negatively offset by the current macro challenges, particularly a strong Euro and the tariffs.

Including these macro headwinds, we expect adjusted earnings per share to be between EUR2.20 and EUR2.40. I will break down the macro headwinds and the operational improvements in more detail later, but first let's have a look at what the key assumptions for the segments and the other reconciling items are.

On the top-line, we expect Imaging, Varian, and Advanced Therapies to continue on their growth trajectories. We expect Imaging to continue its strong trajectory after 8% growth in 2025 with very decent mid-single-digit growth in 2026. We expect also Varian to continue its growth trajectory in the high single-digits, as well as Advanced Therapies within mid-single-digits. Diagnostics we expect to be flattish due to the annualizing of volume-based procurement in 2026.

On margins you can obviously see the headwinds from foreign exchange and tariffs in the assumptions for the segments. However, when you exclude the headwinds from foreign exchange and tariffs, we see marginal expansion in every segment.

For Imaging, we assume that due to FX and tariff headwinds margins will slightly decline. Those effects are even more pronounced in advanced therapies because of its higher exposure to foreign exchange and tariffs. We assume Varian and Diagnostics to face less tariff headwinds and no material headwinds from foreign exchange due to their different value add structure.

For Varian, we assume that the underlying margin expansion compensates for the tariff headwinds, broadly resulting in a year-over-year flat margin development. And for Diagnostics we assume that the underlying margin expansion overcompensates for tariff headwinds leading to a minor margin expansion.

Below the line taking the guidance midpoint for financial income and tax, we assume year-over-year slight headwind in financial income net. This is mainly due to refinancing at higher rates and a lack of one-off gains from fair value accounting of smaller venture type investments and from a slightly normalized tax rate. It feels like many moving parts, but if you take it to the group level, it is not as complex as it seems. Hence you find on the next slide, the main moving parts for EPS development from 2025 to 2026.

I will talk you through the key effects from left to right. In foreign exchange, we assume a headwind of around EUR0.15 year-over-year, primarily driven by the US dollar depreciating were of the Euro and many other currencies also depreciating against the strong Euro leading to a significant foreign exchange headwind.

For example in Q4, the difference between reported and comparable revenue growth was around 4 percentage points, with the Euro being around 6% stronger than in the prior year quarter compared to the US dollar. We expect the foreign exchange impact on translation to continue with even more than 4 percentage point headwinds on nominal growth rates in our fiscal Q1 and Q2, where the weaker US dollar of today compares to a period of a stronger US dollar in the prior year period, and we expect a similar pattern in many other currencies compared to the Euro.

From annualizing tariffs in fiscal year 2026, we expect around another EUR0.15 of year-over-year headwinds. We saw around EUR200 million impact in fiscal year 2025 and expect around EUR400 million in 2026. Fiscal year 2025 includes the first mitigation measures like early shipment and lower tariff rates before the 15% deal with the EU, which have tailed off by now.

Fiscal year 2026 includes mitigation measures like optimized sourcing, selected pricing measures. However, it does not include further mitigation from better pricing or potential shifting of value add. And as outlined above there are EUR0.03 year-over-year headwinds in financial income, in 2025 from one of gains from fair value accounting of smaller venture type items which cannot be expected for fiscal year '26.

Excluding these three headwinds, we expect an underlying EPS growth of around 10% net driven by the operational improvements in the segments. We expect fiscal year 2026 to be the year that will be most affected by tariffs. Assuming a tariff environment like today's persisting, we expect the impacts from tariffs to become less each year based on our mitigation efforts.

We expect tariffs to be fully mitigated over the medium term. The three main mitigation levers are market adaptive pricing, tight cost control and if this is not sufficient shifting value add. With our global manufacturing set up and our strong footprint in the United States and other places in the world, we have all means to shift value add if necessary. We are evaluating the multiple options we have, and we will pull the trigger when there is planning certainty and if it makes obviously economic sense.

Before I close, let me share our latest view on Q1. We expect revenue growth in Q1 to be below our outlook range of 5% to 6%. We expect Imaging and Varian growth in Q1 to be roughly around the assumptions for fiscal year 2026. That means mid single-digits and high single-digit respectively.

However, we expect Diagnostic to be slightly negative due to the volume-based procurement impacts. Also, we expect Advanced Therapies to have a slightly softer start to the next fiscal year. Due to tariffs and foreign exchange, we expect margins in Q1 to be below the prior year quarter.

And with this back to you, Bernd.

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**Bernhard Montag** - Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board

Thanks Jochen. This Q4 not only marked the end of a fiscal year but also concluded the so-called new ambition phase of our strategy. We launched new ambition after the closing of the transformative variant acquisition at our last Capital Market Day in November '21. After that, the environment became much tougher. There were unexpected market challenges like the extended duration of the pandemic, the inflation shock, the supply chain crisis, the anti-corruption campaign in China, and geopolitical tensions. Last but not least, higher tariffs came on top.

Nonetheless, we have delivered around 6% revenue growth and double-digit EPS growth per year since '22, and what's maybe even more important when looking to the future, we have widened our innovation lead with breakthrough technologies like Photon Counting CT, our low helium platform in MR, and hyper side rapid arc and perfect kinetics in Varian.

We have grown our clinical relevance in cancer by combining Imaging and therapy under one roof and being at the forefront of Theranostics. We have increased our relevance in vascular interventions by developing new partnerships with device and robotic companies. And we are becoming more relevant in the nascent field of diagnosing and treating Alzheimer's.

We have grown our C-level relevance with more than 200 value partnerships to date, a testament to this unique strength and new way of doing business and creating recurring revenues. We have further strengthened our leadership in AI with over 110 AI supported products and techniques like deep resolve in MRI which powered more than 30 million scans since its introduction in '22.

Lastly, but no less importantly, let me highlight the great turnaround our Diagnostics team has achieved from negative margins. In the year of peak inflation and supply chain disruptions, they have taken diagnostics to high single-digit margins, and they will not stop there.

So what's next for Siemens Healthineers? As you are all aware, we have our Capital Markets Day coming up, and we have received a lot of interest in the event. We will present the next phase of our strategy and update you on our financial framework and the midterm financial outlook. All our business segments will be presenting their growth strategy, innovation road maps, and plans on how to further improve profitability.

And as a special highlight we will give you a deeper look into our AI machine room. So coming to London on the 17th should be worth your while, and I look forward to seeing you there in person.

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## QUESTIONS AND ANSWERS

**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

So, I think it's me now. Thanks, Bernd. Let's go to the Q&A. (Event Instructions)

Veronika Dubajova, Citi.

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**Veronika Dubajova** - Citi - Analyst

Excellent. Hey, good morning, Bernd, Jochen and Marc, thank you for taking my questions. I will keep to one, maybe with the help that I can come back again. But just looking at the guidance for fiscal '26. I was hoping you could both talk to sort of what gets you to the top end versus the low end, a slightly wider range than usual. It's obviously contemplating a lot of moving parts. So I kind of love to understand how you're thinking about it. And maybe at this point in time, I know it's very early, but where within the range do you feel most comfortable? That's my question. Thank you.

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**Jochen Schmitz** - Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

Yeah. Veronika, it's always -- it's a great question. That's when you start off the year and say, okay, what would bring you to the upper and the lower end. Obviously, conceptually, it has something to do with top line obviously being at the upper end of the range in top line helps you to get further up in bottom line.

I think that is more than logical. Then you also know that we have a certain spread of profitability levels in the segments, which can also make a difference depending on, I would say, how the growth trajectories will play out precisely amongst the segments.

And I think what I'm saying here is not a surprise, yeah, if Imaging is stronger relative to what we initially thought. For example, you see that moving this will give, I would say, a positive segment mix into profitability as an example. We have not built in, as I said, we have not built in any aggressive assumptions on China, flat China. If that assumption is -- would be too conservative is a thing -- is a topic. Otherwise, I think these are the, I would say, the main moving parts, I would say.

Maybe one last aspect you did ask about it, but I still want to say it. Where we were very, very happy with what we saw on Varian. On the margin side, we are seeing that the 20%, we were always guiding for over the midterm is really inside. And you can see what large revenue quarter despite the fact that the growth rate was not super large can make of a difference.

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**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Hassan, Barclays.

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**Hassan Al-Wakeel** - Barclays Services Corp - Analyst

Hi, good morning. Thank you for taking my question. If you could talk a bit about the contribution of Photon Counting CT to, A, the imaging revenue growth in the quarter, and B, the CT order book. I appreciate it's relatively early in your lower-priced launches. But any color around existing customers versus competitor replacements on the order front would be very helpful. Thank you.

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**Jochen Schmitz** - Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

Yeah. First of all, when we highlight segments or businesses or products in our earnings call of Imaging, then they obviously grow faster than the average. That is the reason how we do this, yeah? That means Molecular Imaging and Photon Counting CT were highlighted. And because they grew faster than the average and the average was already strong with 6.5%.

On Photon Counting, we see in general, an ongoing strong interest in the market for everything around this topic. I think when you just hear and maybe that's even more important, if you hear the buzz in the industry about this, every serious competitors talking about this technology and that they want to have it desperately. But we are leading the camp by far.

We have, as you know, the three product lines meanwhile out there. We have very, very good price points in place. Meanwhile, for Photon Counting CT, and we are very, very happy with what we see with regard to the demand patterns. And the demand patterns because we talk here revenue, the demand patterns are not only order intake and backlog development they also transfer it well into revenue, and that is a very, very promising and very, very happy about this.

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**Bernhard Montag** - Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board

For many customers, who so far have not been in our camps I would say many, there are not too many, but because I think, especially in the high end, we have also a very high market share. I mean in general, it is for many of those who so far have not been the camp, the reason to switch to our campaign. And this can be hospital chains. This can be academic medical centers, not only because they look at it as a CT scanner, but as a means to offer new kinds of key area, the preventive applications of early detection of coronary artery disease. It is something the frontrunners develop at scale. And there simply is only one company, you can do that with him.

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**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Good. Thanks, Hassan. So maybe also to add to that. We don't want to steal Andrea's show totally, yeah, in 1.5 weeks. When we have the so should maybe look forward to some more transparency on that topic then.

David Adlington.

**David Adlington** - JPMorgan Chase & Co - Analyst

Morning guys. Yeah, just a question on China, please. GE's decision to sell their business there feels like a bit of a watershed moment. I just wondered how confident you were on the outlook for China isn't permanently diminished? And if we don't get a recovery there, are you still committed? So that's following on from that, do you get an opportunity to pick up share following GE's exit? Thanks.

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**Bernhard Montag** - Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board

So first of all, David, I mean, I'm not sure whether there is a GE exit. I mean there is a -- I didn't follow their earnings call, but from my understanding, they were very positive about China. But I'm not invested into them. So you need to ask experts. So I take the question more as how do we look at the Chinese market, yeah?

So I mean, as Jochen said, there's basically two aspects here. On the one hand, we see in the next year, no reason to go into the year with a more bullish assumption of short-term growth in China. While we are confident that the market will return to mid to high single-digit growth rates, it is an attractive market for us. It is and remains an attractive market for us. It is a market in which we were able to defend our market share.

Yeah, so when I say, defend our market share, while in Rest of the World, we have a very strong track record of market share increases. In China, we are on the same level as a couple of years ago, which is a success since basically, we are the only multinational company, which with the scale, with the local presence we have built with the 8,000 employees we have in the country, which is best positioned to withstand the challenges of a bit of uphill battles now and then from a regulatory and government environment point of view, but also when it comes to the rising strength of local competitors, yeah.

So that's basically the story. And I believe in when looking at different angle and you didn't ask this way, but looking at the 6%, close to 6% growth we had in the last fiscal year and a similar guidance for the current year. It is a message here that we can achieve this without China contributing, which also means here that China is important from a mix point of view, but on the other hand, it's also just quote unquote whatever, 12% to 15% of revenue here.

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**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Julien Ouaddour, Bank of America.

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**Julien Ouaddour** - Bank of America - Analyst

Perfect. Thank you. Good morning, everyone. So my question is about the Imaging guidance. If I remember correctly, I think last year, you guided already for mid-single-digit growth for Imaging, you see standing 8%. Would it be fair that mid-single-digit growth this year is also kind of prudence? Just can you confirm the drivers such as PETNET Photon Counting will constitute drive some growth.

And if we can have any color on the specific growth you expect from CT and Molecular Imaging this year? I mean are we talking high single digit, double digit for these two businesses, that would be helpful. Thank you.

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**Jochen Schmitz** - Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

Julien, first of all, we are very happy with what we see in Imaging with 8.5% growth for the fiscal year. I think that is a stellar number. And therefore you celebrate this, but this -- and the basis for next year. That's always -- I would say the flip side. On the other hand, when we look at order backlog and everything we achieved from an order intake order, I would say, secular growth drivers we have in this business, and you mentioned most of them, and maybe you did not talk touch about MRI, which is also a very, very strong foothold for us and with dry magnet and everything we will do there.



I think we will see also this as a very, very old healthy growth driver in that business. Molecular Imaging with PETNET Photon Counting CT, obviously, will remain growth drivers also for this year. And I'm not sure if you listened and most of you listened very carefully what I said, but I even had a word in front of mid-single digits which was decent mid-single digit. And yeah, we are very happy what we see and decent mid-single-digit means that we are very, very confident about this.

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**Julien Ouaddour** - Bank of America - Analyst

Perfect. And so like does it mean that Photon Counting and Molecular Imaging, I mean, are growing double digit, I mean, 2025, and do you expect it to continue into 2026 just for these two businesses?

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**Jochen Schmitz** - Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

Yeah, I would say, Julien as Marc nicely said, we should keep some under left for Andre for the week for -- in 12 days, yeah. But when you grow 8.5% and we highlight Molecular Imaging and Photon Counting, I think the math is relatively easy to be done.

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**Julien Ouaddour** - Bank of America - Analyst

Perfect. Thank you very much.

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**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Oliver Reinberg, Kepler.

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**Oliver Reinberg** - Kepler Cheuvreux SA - Analyst

Yeah. Thanks very much for taking my questions. It would be on top line, if you could you just unpack a bit the kind of 5 percentage to 6 percentage assumption for next year? I mean I understand the kind of base effect you just talked about and obviously, the kind of China assumption, but can you just provide some kind of color what do you assume on pricing and in particular also in Americas where we've seen very strong growth if there's a kind of a tough comp for next year?

And if I may bid on that, it sounded that on pricing, you're not willing to do more to offset the kind of tariffs. Can you just provide a bit of flavor why that is? And how quickly you expect this kind of tariff threat going to offset? Thank you.

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**Jochen Schmitz** - Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

Maybe I'll start with the latter one. I think we -- I think we are -- since tariffs are a topic relatively clear about the, I would say, the levers how we want to offset tariffs in the midterm. And pricing and smart pricing was always the topic in this regard. But you might recall from the inflation times that there is obviously a time lag to revenue with pricing.

And we also have to have this in mind, yeah. Therefore, we will look at pricing and pricing -- our pricing excellence, our pricing, sometimes we have maybe a bit more than excellent. We have also certain pricing power to will be a driver to compensate the tariff impact over the midterm, yeah? Very clear message.

But -- and I think that's also an important topic, but we will do this, as I said, in a smart way because we are very, very mindful about our market share gaining strategies, which brought us where we are today in Imaging, where we are today in Varian, where we are today in Advanced Therapies.

Therefore, we need to strike that balance. But I think we have a clear plan in and it's also built in to our EUR400 million mitigation -- net effect from tariffs this year.

And with regard to, I would say, to the 5% to 6% growth for Siemens Healthineers. When you look at segments, I think the picture is relatively similar to what we have painted, what we have seen last year. And from a market standpoint, not sure, Bernd, if you want to say something to the market or should I do whatever. Okay. I think we expect to see when you look at backlog development, we expect to see, despite having tougher comps in the United States or North American market, we expect to see strong contribution from the North American market, which is very healthy.

Europe is growing again, which I think is good. And we also see, I would say, very, very good development in APJ and as we said, China, we have derisked. We have not built in growth tailwind from China into our numbers.

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**Bernhard Montag** - Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board

Yeah. And maybe some more comment on the healthy development of the continued healthy development of the US market. I mean we see that the technologies we provide at the core of dealing with of treating and detecting early many, many, many diseases. So I mean, you can look at it in two ways when double clicking on Imaging, on the one hand, you can look at what's the growth of radiology and radiology is a profit center for institutions.

When you look at -- from a hospital point of view. But on the other way to look at it is whether it is early detection of Alzheimer's, whether it is early detection of coronary artery disease with Photon Counting CT, whether it is planning minimally invasive surgeries, a lot of new treatment schemes require Imaging.

So it's a business in itself quote unquote for our customers, but it is in addition, center piece for delivering modern and state-of-the-art care. In addition, people continue to build out their ambulatory facilities, which means that there is also the need for additional sites of care, which triggers another growth, especially on the -- in MRI, CT sometimes also Molecular Imaging and also when it comes to the interventional market in AT.

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**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Okay, thanks, Ollie. Maybe just obviously, also have in mind that the PETNET business is largely still in US business, and that's been growing very strongly. So that also contributes to the strong US growth.

Falko, Deutsche Bank.

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**Falko Friedrichs** - Deutsche Bank AG - Analyst

Thank you. Good morning. My one question is in case the Siemens Group announces an exit from their stake in your company at day event next week. Could you remind us of the potential financial implications for your company, if there are any I'm thinking of the financing rates, for instance? Thank you.

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**Jochen Schmitz** - Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

Falko, I think I said that already several times, when we look at our financing structure, it is at arm's length per se. When I look at if and when we need to refinance ourselves, I would expect us to be in a very, very healthy rating environment. And I don't expect significant impacts on our interest expenses just from the fact that Siemens may decide on their stake or to deconsolidate their stake in Siemens Healthineers. I think what we need to be mindful about is that we financed a lot of the Varian deal at a point in time when interest rates were low -- very low.

And as you might know, we have to refinance any way independent of any stake development, a lot of money in the next calendar year, calendar year '26 more than EUR3 billion, for example. And therefore, I think we will have, to a certain extent, if the interest rate environment stays as it is any way to deal with higher interest expenses, but not due to the fact that Siemens deconsolidates potentially. This is a very, very minor impact.

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**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Julien Dormois, Jefferies.

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**Julien Dormois** - Jefferies LLC - Equity Analyst

Hi, good morning. Good morning, Jochen. Good morning, Marc. Thanks for taking my question. It's Actually to Varian. So obviously, Q4 was a bit weakish and you explained that because of the comps, and we see that probably the phasing effect considering the strong guidance for '26.

But my question really is more to what you have done at Varian over the past couple of years on reducing the lumpiness on the margin side. Do you believe there is room also to flatten a little bit the growth curve at Varian in the future? Or is it just the nature of the business, so that sort of quarterly lumpiness in the numbers of Varian? Thank you.

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**Bernhard Montag** - Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board

Yeah. Thank you. Just a signal -- and Jochen gave me a signal that I should answer that is difficult for them. No, no. So I mean, one topic is a little bit in the nature of the business. And it's maybe sometimes also fair to compare let's say, volatility of the AT business and the volatility of the Varian business. I mean, because what the two businesses have in common is that there is a limited number of units contributing to the equipment revenue per quarter. Yeah, I mean, to give you a feeling roughly in both businesses.

It's about whatever, delivering 200 units, yes, per quarter, yeah. I hope it's not too detailed number here, but Imagine something like this, yeah. I mean AT is the smaller business simply because the average price of our case is maybe just half of the average price of linac.

So -- and that simply this lack of the law of big numbers, contributes to -- is one reason for the higher volatility in the Varian and AT growth rates compared to Imaging, where we just have multiple businesses contributing CT, MRI, X-ray and so on and so on, where simply these effects smooth out more than in Varian and I mean and what we got wrong also in the more positive outlook which we gave in the Q3 numbers when we were hinting towards, let's say, a bit of a normal or to be expected growth rate in Varian for Q4 was the timing of a large deal, which starts to turn into revenue, which is now pushed out by a quarter or will happen in the next quarter or will start in the next quarter.

So you see these effects much more in Varian. We want to, of course, avoid this. Over time, nobody is happy when there are surprises like this, or volatilities like this. We still have the opportunity to further streamline the production. Yeah, we are switching step-by-step to a build-to-order philosophy. And I think another aspect which really helps over time is that the recurring revenue on Varian is very high.

So that also step by step the importance of five linacs more or less, doesn't show so much in the overall growth rate there. On the other hand, I really -- I mean talking about Varian, I want to highlight still, I mean, the -- while the top line was a bit below what we kind of guided for in the last quarter. Profitability was really an exclamation mark. I mean, as Jochen said, and I think it's worthwhile to repeat that.

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**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Hugo, Exane.

**Hugo Solvet** - *Exane Bnp Paribas - Analyst*

Hi, hello. Thank you for taking my questions. A quick one on China, please. I understand that the guide is cautious and Bernd, you commented on the fact that for the long term, it will be an important growth driver nonetheless. Curious, what are you seeing exactly on the ground there? Are you seeing some green shoots tenders slowly bit -- slowly moving in the right direction. That would be helpful. Thank you.

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**Bernhard Montag** - *Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board*

I mean not -- what we don't see is the very clear green shoot. And as you know, we have clearly said that we don't want to base our assumptions on speculations meaning at some point in time, it has to go back here because I think there was a bit of a learning as you know, and I'm -- but this is meant to be expressing our learning curve where you can also call it self critical, I mean went two years ago when we had to go in -- exactly two years ago when we had to give the guidance for the fiscal year '24, when the -- that was a month or so after the anticorruption campaign started.

We were basically -- our assumption was based on the quote unquote let's say, our guidance was based on the assumption that something like the effect of the anticorruption campaign should take six months, two quarters and then things will go back to what we are used to. But that was an unsubstantiated assumption in which we basically were betting on what authorities are doing and how purchasing schemes will be regulated in China.

We don't want to do this again, yeah, because I mean, in this fiscal -- the year '24 was, on the one hand, a good year for Siemens Healthineers because we could compensate that this assumption wasn't true by stronger business in the rest of the world, but it somehow was a cloud over the share price yeah, for quite a while in that year.

So from that point of view, we have clearly said we don't -- we only changed the assumption on China when we really, really see signs of a significant new momentum in the market. And this is not what we see. Otherwise, we would have not built that guidance or that assumption into the guidance.

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**Marc Koebernick** - *Siemens Healthineers AG - Head - Investor Relations*

Oli, ODDO.

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**Oliver Metzger** - *Oddo BHF SCA - Analyst*

Yeah. Good morning from my side. One question on Diagnostics. So there is the China and the headwind which should be, let's say, phase out somewhere in -- after Q1, but can you also make a comment about what do you see from an underlying performance for Diagnostic, if you exclude the headwind for Q4, but also what do you expect more from regional perspective for next year? Thank you.

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**Jochen Schmitz** - *Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board*

Oli, I think, unfortunately, I would say your assumption on this is over with Q1 is too optimistic, yeah? Why is it? I think we will see impact from this throughout the year because there is -- this is an ongoing process, and the they go into -- they drive this volume-based procurement through the -- all the provinces and all the panels, which could be affected by this. And this is an ongoing process. I think when we started to seeing that this will happen, I think we talked about 1.5 years of impact at least, I think we said we expect to see this in the second half of fiscal year 2025, more pronounced and throughout 2026.

Yeah, and that's what we expect, and that's why we also guided for only flat growth development. And when you get at the industry, I think we are obviously very much in line with what you see from others, even maybe slightly less impacted because our business in China is a bit smaller than some of the other main players in the industry. When we look at underlying other, I would say, drivers of our top line development. I think it's definitely still the transformation, the transformation in, in what we call core lab solutions, which is the biggest portion of the business, where we drive, so to say, the installed base towards Atellica only.

I think we are very, very satisfied with what we see on Atellica. The transformation is working well, but also as explained in the past, by switching and or shifting the installed base towards Atellica and also winning new deals with Atellica. We also look carefully into the existing installed base, and there are accounts, which do not cater I would say, perfectly for what we want to accomplish with Atellica, and therefore, we let them deliberately go. Therefore, there is also, I would say, a structural I would say, clean up of revenue built into that translation. From a market standpoint, I think we see, I would say, generally speaking, we see healthy markets in Europe, in North America, but also in APG. I think the only exception is China.

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**Oliver Metzger** - Oddo BHF SCA - Analyst

Okay, very helpful. Thank you.

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**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Thanks, Oli. So we are slowly but surely coming to the top of the hour. So we call two callers on the line left. Sam England, Berenberg.

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**Sam England** - Berenberg - Analyst

Hi, guys. Thanks for taking the question, and mine's just around tariff mitigations post 2022. So if you look at the bridge you provided, can you give us a bit of a sense for what proportion of the mitigations on that from pricing cost control, which are presumably things that are easier for you to do versus shifting manufacturing around and around manufacturing. How are you thinking about the decision to move manufacturing now? What would need to happen you to take that step and what sort of time scale could you deliver manufacturing changes?

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**Jochen Schmitz** - Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

Let me first say, as always said, we report out a net number. Because from our standpoint, that is the most meaningful way of looking at it. Otherwise, you inflate numbers and then you inflate -- potentially inflate mitigation measures and discuss things it doesn't help.

So what comes from what? I think, when I would say the vast majority for mitigation comes also today from, I would say, smart pricing, but this will increase over time. As I mentioned beforehand, pricing takes a certain time before it finds its way into the P&L. What do we mean with this? You need to negotiate a deal, then you hopefully book a deal, and then you have a time lag between booking and [referec]. And that is, on average, for example, in Imaging, between six and nine months, just the time line between booking and billing just to give you a flavor.

Yeah, so therefore, it takes time. And as I said, we are not following here a brutal pricing way. We follow a smart pricing way. We look where our pockets of strength are. We're pricing excellence player, where pricing power plays a role. And we have, so to say, as a boundary condition for how we think about pricing is our market share gaining strategy. I said that several times already.

Therefore, we are very, very confident that smart pricing or market adaptive pricing will be one of the main levers to mitigate tariffs, but it will not only be the only one tight cost control. I think we are currently and we will announce that, and we talk a lot about this about our new strategic phase in 12 days from now. When you start a new phase, you also look into your own house, you look to clean the desk, yeah. And we look for a period of -- also higher productivity than normal.

You know that our normal productivity is around 5 percentage points of total cost, and we have a clear guidance in the team to go beyond that. Also here for the next two to three years, yes, and we expect here, I would say, the major things kicking in more in 2027 and 2028 as we have to initiate those measures and then implement. That's why we also guide for a constantly lower impact from tariffs over the years under the current assumptions for tariffs.

And that maybe leads perfectly over to your other question, value-add structure shifts. There are -- there is still uncertainty out there on tariffs. We see that on a daily basis, to be honest. And making shifts is something we are happy to do, but we also need to be careful that we don't rush

anything in this regard, because these are major decisions. And we also need to be mindful where to shift to, yeah. I mean it's because you can also think about United States sounds obvious. It's also a very attractive position to a certain extent. On the other hand, you could also think about different shifts and you think about other low-cost environments, which then maybe have a different -- the driver behind.

It's not -- it doesn't directly relate or reduce the tariff, but it offers you other advantages, which fall more onto this under the topic of tight cost control and so on. So therefore, we are looking carefully in it, and we try to find a solution which is sustainable, which is long term, because value-add shift is not a short-term measure and has a long term -- should have a long-term impact.

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**Marc Koebernick** - *Siemens Healthineers AG - Head - Investor Relations*

Richard, Goldman Sachs.

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**Richard Felton** - *Goldman Sachs Group Inc - Analyst*

Great, thank you very much for squeezing me in. So just coming back to market share trends in China. Bernd, you mentioned that you've been successful at defending your share in recent years. But I'd be interested in your thoughts sort of on the forward, if anything is changing in the competitive dynamics as the market comes back post anticorruption? I suppose sort of the context of my question is the results of some of the local Chinese competitors.

It looks like that businesses have recovered ahead of the multinationals, and there's been some interesting product launches. So any comments on how you see those share trends are evolving going forward would be very helpful. Thank you.

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**Bernhard Montag** - *Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board*

Yeah. Thank you. I mean when it comes to market share development, I mean, just to reiterate what I said, I mean, we said we were able to keep our market share to defend it on the high level and also to maintain our number one position in the market. Compared to the rest of the world, yeah, the gap to others is not as high and compared to the rest of the world, we have not been gaining market share but defending market share in a market with a different set of competitors.

Now what is changing in the Chinese market is, on the one hand, the effects of the anticorruption campaign, but then I mean we talked about that in Diagnostics, which is not your question here, but we also see it in Diagnostics, no changes to this volume-based procurement. We see more and more experiments and I choose the word consciously to go with provincial central biddings for health care equipment.

As an experiment, this is also for the provinces, a learning curve to go through here because there have been provinces in which complete no name companies have won some of the tenders and it was simply based on price. And now the question is, can they deliver it all much the service and so on and so on. Yeah, so there is a learning curve also an adaptation of what this means from a transformation of the business in this part of the market, which so far have been very much governed by using so-called business partners.

So -- but overall, from a competitive dynamic, what we see is -- and this is high-level statement. We defend our market share. The smaller multinationals are losing, yeah. And with this, I mean, companies like Philips, like Canon, I have the impression that GE is also a bit weakening while local competitors are gaining share from this. And I think that one topic is here that is really, really important, and we benefit from having scale in China, as I said in the question before. We have 8,000 employees in China.

We are very locally pressed. We have 1,000 engineers. We have -- we manufacture the vast majority of our products and for the local demand locally, and that is important to have. And if you are subscale in the market, it's tricky to maintain a position, but I believe we are very well positioned for the future.

**Marc Koebernick** - Siemens Healthineers AG - Head - Investor Relations

Thanks, Richard. So that basically brings us to the end of today's call. Thanks for all your questions. Thanks for dialing in. And obviously, looking forward very much to seeing all you in person at our Capital Markets Day on the November 17, in London. So bye-bye, stay safe until then.

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**Operator**

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. A recording of this conference call will be available on the Investor Relations section of the Siemens Healthineers website.

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