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Q1 2026 SIEMENS HEALTHINEERS AG EARNINGS CALL

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## CORPORATE PARTICIPANTS

- **Marc Koebernick** Siemens Healthineers AG - Head - Investor Relations
- **Bernhard Montag** Siemens Healthineers AG - Chief Executive Officer, Member of the Management Board
- **Jochen Schmitz** Siemens Healthineers AG - Chief Financial Officer, Member of the Managing Board

## CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Veronika Dubajova** Citi Infrastructure Investments LLC - Analyst
- **Graham Doyle** UBS AG - Analyst
- **Hassan Al-Wakeel** Barclays Services Corp - Analyst
- **Julien Ouaddour** Bofa Merrill Lynch Asset Holdings Inc - Analyst
- **David Adlington** JPMorgan Chase & Co - Analyst
- **Julien Dormois** Jefferies LLC - Equity Analyst
- **Hugo Solvet** Exane SA - Analyst
- **Natalia Webster** RBC Capital Markets Inc - Analyst
- **Falko Friedrichs** Deutsche Bank AG - Analyst

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, 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, everyone, to our Q1 earnings call for fiscal 2026. I'd like to thank each one of you for joining us today.

At 7:00 this morning, we published our Q1 2026 results. All related material for today's results release are available on the IR section of the Siemens Healthineers' web page.

In a moment, we'll hear directly from our CEO, Bernd Montag; and our CFO, Jochen Schmitz. And after the presentation, we will have a Q&A session.

(Event Instructions)

All the more so as we have quite a tight schedule today with our Annual Shareholders Meeting starting at 10:00. Additionally, please note that a full transcript and recording of today's call will be made available on our Investor Relations web page shortly after the session ends.

And again, thank you for being here. And now I'd like to 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**

Thanks, Marc, and also a warm welcome from my side. Let me start with a brief look at key takeaways from the last quarter.

Firstly, we had a good start into fiscal year 2026 and confirm our outlook. Notably, the synergetic part of our portfolio, Imaging and Precision Therapy showed strong underlying operational performance in the quarter, especially in light of substantial headwinds from tariffs and foreign exchange. However, Diagnostics was affected by material market challenges in China that we did not foresee to their full extent.

Secondly, we are fully on track with our preparations for the deconsolidation from Siemens AG. We began the preparation for the demerger agreement and the refinancing necessitated by the planned deconsolidation. In this context, we received a strong investment-grade rating from Moody's, a clear milestone for our financial independence that demonstrates our financial strength and the resilience of our business model.

And finally, the Elevating Health Globally strategy we presented at our Capital Market Day in November is gaining traction with very good feedback from customers and partners.

Before diving deeper into the progress on strategy execution, let me give you my read of the quarterly print. The Synergetic Part of our portfolio, Imaging and Precision Therapy is performing very well. Fundamentals are fully intact. Strong 6% growth, a decent equipment book-to-bill of 1.12 and an operational margin expansion that could broadly compensate for tariffs and FX. That's really an achievement.

Diagnostics recorded a revenue decline of 3%. The Diagnostics business in China is challenged by material market changes primarily due to volume-based procurement, but also reimbursement reductions. Since VBP is primarily price driven, it does not just lead to a decline in revenue, but to a significant loss in profit at the same time. The reimbursement reductions impact primarily volume, which means another drag on revenue and conversion on top of VBP.

In the Americas, on the other hand, Diagnostics is operationally growing again compared to previous years. This growth shows that the Atellica portfolio is gaining traction in our biggest diagnostics market, while dilution from our shrinking legacy is, as expected, still holding back growth. Overall, the Atellica franchise has grown by roughly 20% in Q1, like in recent years and is now at almost 70% of sales in the important core lab solution business.

In Brazil, the Diagnostics team renewed the contract with a large strategic diagnostics customer, a major force in the industry whose decisions have an influence on the market, one of the consolidators.

Not only was the team able to retain the customer, but the customer is now adding additional analyzers beyond the existing contract, a testament to the strong demand for the Atellica franchise in the industry. Jochen will run you through the financials later.

Now let me briefly recap the key elements of our strategy. What moves the world the most when it comes to healthcare are the non-communicable diseases or NCDs. These are neurodegenerative diseases such as Alzheimer's, cardiovascular diseases, stroke and cancer. The NCDs are responsible for 75% of all deaths worldwide and are precisely the diseases on which our innovations and growth initiatives are predicated.

Our triangle of patient winning, precision therapy, and healthcare AI is what it needs to fight the most threatening diseases from earlier detection to the right diagnosis to the right therapy selection and planning to the personalized minimally invasive treatment

and all this at scale by using healthcare AI.

This is exactly what we showcased at RSNA with a series of new launches underscoring our unique clinical relevance. Our AI-driven Syngo.CT Coronary Cockpit tool quantifies plaque data and enables deeper insights for intervention planning and treatment by the physician. This AI-powered software is designed to automatically segment and label coronary arteries as well as to visualize and quantify plaque types for the entire coronary vascular tree or individual lesions. Combined with the innovations like our Photon Counting CT and Dual Source technology, it offers unprecedented clarity and speed of decision making.

In Precision Therapy, real-time imaging is key for conducting precise and safe interventions. We move MRI into the interventional suite, offering new clinical opportunities in image-guided interventions. This XL MRI system with its excellent soft tissue contrast provides high-performance imaging without ionizing radiation and with exceptional patient access.

And last but not least, there's our all-new family of angiography systems. It comes, for example, with an AI-powered reduction of image noise in real time for crisp, high-resolution images and this at the lowest reasonable dose possible.

Now let me come to our second superpower, our unmatched regional organization. Our customer-specific organization is very much local, whether it is in all parts of Europe, in Malaysia, in the USA, or in China. Our company's strength can be found in all these places. We have the broadest and at the same time, also the deepest portfolio. We know how to address departments and medical subspecialties, and we know how to address the C level.

With our intimate knowledge of the local situation and our access to the global standard of care, we are perfectly positioned to support our customers to overcome their challenges.

How do we translate this into additional business? Firstly, we further expand our footprint in value partnerships, create even more long-term partnerships and become even more relevant to our customers.

Secondly, drive clinical transformation along our strength in fighting the NCDs with value programs. Here, we are working -- we are giving support to rethink how workflows, technology, and staffing work together, for example, by helping our customers to build a theranostics practice or supporting them to optimize their radiology department or to set up a stroke center.

And finally, we plan to further increase impact in emerging countries. Let me give you some examples of how we are progressing on the next slide.

Next to a series of other value partnerships, we entered a new 10-year value partnership with Onvida in January, a provider for healthcare in Southern Arizona. This value partnership includes a \$55 million capital equipment commitment and it is expected to exceed the \$100 million in total value over the term, inclusive of service and solutions. It is a nice example of how we can improve rural health and quality of care in a long-term collaboration. It ensures clinical excellence and access to advanced diagnostic imaging, therapeutic technology and corresponding services from maintenance to consulting.

For our value programs, we see here a strong deal funnel building up, particularly for cancer treatment programs. And when it comes to increasing impact in emerging markets, we see very good momentum. Vietnam was outstanding, delivering a very strong start with 45 systems across 18 hospitals and clinics, including two photon-counting CT systems in the single month of December.

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**

Thank you, Bernd, and also good morning from my side. Before I start, since this fiscal year, we have a new reporting structure. Just as a small recap, there are two main changes. Firstly, Varian, Advanced Therapies, and Ultrasound are forming the Precision Therapy segment. Secondly, the internal suppliers for the segments, the so-called tech centers which were part of the Imaging segment before, moved to Central Items as they serve all segments.

Now let me share some color on our financial performance in Q1, starting with the Imaging segment. In Imaging, our photon-counting CT and our Radiopharmaceuticals business continued to drive growth again this quarter, resulting in an imaging revenue growth of 5.7%.

Two short technical remarks. Firstly, on top line, we strengthened the European footprint of the radiopharmaceutical business by an acquisition from Novartis, a transaction that we successfully closed in our Q1 of last fiscal year. For comparability reasons, the acquired revenue is from now on included in our comparable revenue growth number.

Secondly, on Imaging's adjusted EBIT margin, prior year quarter had a negative impact from special items, which amounted to roughly 50 basis points in the new structure. Imaging's adjusted EBIT margin of 21.6% is a result of strong operational margin expansion. Taking out prior year quarter's negative special items and this year's headwind of around 200 basis points from tariffs and foreign exchange leads to an operational margin expansion north of 100 basis points.

Now over to our segment Precision Therapy. Precision Therapy started the fiscal year with strong growth of 5.9% against a tougher comp of 8% growth in the prior year quarter. Varian has significantly contributed with 9% growth, while Advanced Therapies had as disclosed a softer start. Let me remind you that we will continue to provide you in our financial disclosure, the segment therein Varian for revenue and margin.

In Precision Therapy, we saw an outstanding operational margin expansion of almost 400 basis points driven by good conversion and a favorable business mix across the board. The operational margin expansion excludes the headwinds from tariffs and foreign exchange as well as a positive special item this quarter. The margin benefited from these special items by around 100 basis points. The most notable item was a catch-up booking related to software revenue recognition in Varian.

And now let's complete the segment run-through with Diagnostics. Diagnostics had a weak start due to major structural changes in the China market. The first is volume-based procurement that we repeatedly pointed out as a major headwind with regard to revenue growth, especially for the first half in fiscal year 2026. VBP essentially sets new price levels with a 1:1 impact on profit.

Additionally, the diagnostics sector in China faces material market challenges now impacting volume due to reimbursement reductions impacting our diagnostic portfolio. This led to a muted demand and was another drag on the Q1 revenue line on top of VBP.

Outside China, our Diagnostic business posted stable revenues, though the weak diagnostic performance in Q1 is primarily due to the current challenges in the Chinese market. The revenue decline due to China obviously led to significant negative conversion missing in the EBIT line. The margin had another drag from a particular high instrument share.

Bernd already mentioned a large deal in Brazil, which, for example, led to high instrument placements in Q1, which, as you know, in a razor-razor-blade business model are always an investment into the field and consequently have a temporary dilutive effect on the bottom line.

And now to conclude, let's have a look at the group. Let's start with the top line. The 6% growth in Imaging and Precision Therapy and the 3% decline in Diagnostics add up to a solid 3.8%. Noteworthy in the regions are the Americas, which grew with 9%, continuing the excellent growth we saw also in the quarters before. China, on the other hand, declined by 5%, which was exclusively due to the steep decline in Diagnostics. Imaging and Precision Therapy in China were flattish with a positive prefix.

Operationally, we saw a strong earnings performance in Q1, which offset the significant headwinds from tariffs and foreign exchange in this quarter completely. While the disclosed adjusted EBIT margin was 15%, i.e., flattish year over year, excluding the headwinds from foreign exchange and tariffs, the margin expanded operationally by 200 basis points. Adjusted EPS was down by 3%. And excluding the headwinds from tariffs and foreign exchange on the EPS line, EPS grew by around 17% year over year.

So the three main drivers this quarter are strong operational earnings performance, tariffs, and foreign exchange headwind, just as we showed in our waterfall chart for EPS in the fiscal year 2026.

On the left side, you see the waterfall chart for EPS in fiscal year 2026 as of our Q4 earnings call from last November. Let's go through the main moving parts, starting with foreign exchange. We expect foreign exchange to be a headwind in every quarter this fiscal year. So the around EUR0.04 this quarter are in line with the around EUR0.15 we expect for the full fiscal year.

Now tariffs. Tariffs are also in line with what we expected last November. The year-over-year tariff headwind will predominantly impact the first half of the year. So the headwind of around EUR0.06 in Q1 is also in line with the around EUR0.15 we expect for the full fiscal year. We expect significantly lower headwinds from tariffs in the second half, in particular, because of the increased tariff rates from 10% to 15% in the course of the second half. Having gone through foreign exchange and tariffs, this leaves us with our underlying operational performance on the EPS bridge.

Adjusted EPS in Q1 was year over year down by EUR0.02. Taking out the total headwind of EUR0.10 from foreign exchange and tariffs brings us to around EUR0.08 of operational earnings improvement in Q1. This was driven, as said, by the strong earnings performance of Imaging and Precision Therapy, which more than compensated for the weak margins of Diagnostics in Q1. The EUR0.08 operational improvements show two things.

First, we are in a good position for the around EUR0.25 improvement we expected for the full fiscal year. And second, we continue to consistently improve our margins operationally every quarter, which brings me to the next slide.

In Q1, we grew year-over-year revenues ex foreign exchange again after growing revenues each quarter for several years in a row, a strong testament to our revenue growth performance. Now I will show the margin development in two different views. This one includes tariffs and foreign exchange. And on the next slide, excluding only tariffs. What you see on this slide is that the margins were holding up well despite tariffs.

Q3 fiscal 2025, the first quarter which was impacted by tariffs, still saw year-over-year expansion. Q4 margins was only slightly down, and the margin this quarter was on a prior year quarter level despite tariffs and as we all know, foreign exchange headwinds.

On the next slide, you see margin development excluding tariffs. And you see consistent margin expansion, both sequentially and year over year. Why do we show this slide? We expect to fully mitigate the impact of tariffs over the next three years. Tariffs will be a longer but only temporary drag on the margin. And consequently, the ex tariff margin development is the long-term reference for our operational earnings strength, a strong proof point that we consistently turn our revenue growth into earnings growth.

And this brings me to the outlook for fiscal year 2026. We confirm our outlook for fiscal year 2026, both for revenue growth and for adjusted EPS. We are fully aware that the picture on segment level is mixed this quarter, but especially the strong performance in our synergistic core of Imaging and Precision Therapy is a strong proof point to confirm our outlook for fiscal year 2026.

Before I close, let me share our latest views on Q2. We expect revenue growth for the group in Q2 to be below our outlook range of 5% to 6%. Similarly, as in Q1, we expect Diagnostics to continue to face market challenges in China in Q2, resulting in a revenue decline also in Q2.

In Q2, we additionally faced tough comps in China. Diagnostics revenue in China rose strongly in prior year's Q2, the only quarter in China last year with growth in Diagnostics. Due to these tough comps in China, we expect the revenue decline of the segment to be even more pronounced in Q2 than in Q1.

We expect Imaging and Precision Therapy growth in Q2 to be around the assumptions for fiscal year 2026, means mid-single digits and mid to high-single digits, respectively. Due to tariffs and foreign exchange, we expect margins in all segments in Q2 to be below the prior year quarter. Bear in mind that the Imaging margin in Q2 2025 was the highest in the last fiscal year with a disclosed tailwind from a positive special item.

Also, when you look at margins sequentially this year, the Precision Therapy margin in Q1 also had positive special items. So we would expect a margin decline in Precision Therapy year over year due to tariffs and foreign exchange and quarter over quarter due to special items in Q1.

For Diagnostics, we would expect sequential margin improvement from normalizing mix. However, with missing conversion from year over year declining revenue due to ongoing market challenges in China and tariff headwinds, still a clear margin decline year over year.

And with this, I hand back to you, Marc.

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### **Marc Koebernck Siemens Healthineers AG - Head - Investor Relations**

Yeah. Thanks, Jochen. So let's go over to Q&A.

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## **QUESTIONS AND ANSWERS**

### **Marc Koebernck Siemens Healthineers AG - Head - Investor Relations**

(Operator Instructions) Veronika Dubajova, Citi.

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### **Veronika Dubajova Citi Infrastructure Investments LLC - Analyst**

I want to obviously talk about Diagnostics. And Jochen, I'm just curious to get your thoughts, given the structural changes that you are seeing in the business. So how is your thinking about the long-term margin potential for Diagnostics changing? Do you still think we can get to a mid-teens margin here or towards a mid-teens margin? Or does what you're seeing in China fundamentally alter that trajectory?

And then maybe if you could also kind of touch upon your expectation for Diagnostics also for the full year '26. I think the prior guidance divisionally had been for minor margin expansion. I was hoping we could get an update on that.

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

Yeah. Thanks, Veronika, for two obvious questions, I would say. First of all, on -- and let me start with the second question. It was clear and that was also -- or we started, I would say, also the guidance for this that the first half for Diagnostics will be a tough one because of missing -- luckily missing volume-based procurement last year in the first half and then being exposed to it in the second half. Therefore, it was clear that the first half will be weaker than the second half. So this has not changed.

Obviously, Q1 because of also the trajectory and what we have seen in the market was a bit more pronounced, negatively pronounced than initially assumed. And this might also lead potentially to that we might need to change the assumption slightly on Diagnostics going forward for this fiscal year. But a bit too early to tell.

And I think it's important to note, that's why we also, I would say, wholeheartedly confirmed our outlook and we saw a super strong start profitability wise in the synergistic core. Therefore, we feel very good about the outlook.

Now coming to your first question was more the midterm outlook on Diagnostics. I think when we look at the trajectory at the plans we have and also at the relevance this China business meanwhile only have or has for Diagnostics, we still feel that the midterm guidance we have out there for Diagnostics is a valid one.

The current China revenue portion in Diagnostics is meanwhile down to 7%, 8%. And I think we will hopefully reach this year then the new baseline in the business. We will also adjust, obviously, according to the baseline, our footprint accordingly. And I'm pretty sure that we will be able to get to midterm margins despite the fact that we see maybe a different baseline in China.

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

Graham Doyle, UBS.

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**Graham Doyle UBS AG - Analyst**

Just two quick ones. You called out PETNET and PCCT in terms of driving imaging. Is there any way of quantifying how much of a benefit that's been in the numbers in Q1 so we can think about that going forward? And then just your overall message on China, excluding Diagnostics, what are you seeing? Because it looks to me like the market was probably down in the second half and some of your peers are finding it a little more difficult than you are. So just a good sense of what you're seeing on the Imaging and Varian portfolios in particular.

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

Maybe, Graham, I start with the forbidden second question, yeah. because Marc asked for one question, but that's why it's not a forbidden question. So I mean, on China, we -- ex Diagnostics, we are -- we feel comfortable with what we projected when entering the year of more or less flat development. We are happy with the market share development, which is maybe also a bit of the difference to what you heard from others.

But we also don't see a reason to change to a more positive outlook. So the kind of prudent assumption of a flat volume development in China is in the synergistic core is what we stick to, and we basically also see confirmed so far.

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

So to your first question, Graham, Imaging grew 5.7%. What we highlight, that's the logic we have, grows faster than 5.7%. That is why we highlight things, what is overproportionately growing. And obviously, the Photon Counting CT with us being, I would say, clearly ahead of the camp having a portfolio of offerings is giving a nice tailwind to the growth trajectory in CT. And we are very happy with what we see.

On PETNET, we had a very strong quarter. As you know, this is solely in Q1, solely driven by the United States because we have not baked in the comparable revenue numbers in Q1 yet for Europe because that is coming only starting 12 months after closing.

And you also can see then -- you saw also the strong Americas numbers. They are partially also driven by the nice, I would say, growth in the procedure-based businesses, which goes even beyond PETNET, which is also the nice growth rate we see in ultrasound-based catheters and even in our smallest portion or portfolio item in procedure-based business, which is interventional oncology. So we are very happy with what we see here. And the growth rates in PETNET are clearly double digit.

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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**

Another on margins, but on the core business, given the strong start despite the 100 basis points one-off. Can you elaborate on the Varian one-off and how you're thinking about the building blocks for margins for the rest of the year in the core given tariff headwinds and whether your divisional margin outlook for Precision Therapy and Imaging that you outlined in the CMD of minor margin declines remain?

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

Hassan, I might repeat more or less with the different -- with the opposite prefix my statement to Diagnostics beforehand. I think obviously, a good start, a very good start is helping everything we wanted to achieve in Imaging and Precision Therapy on top and bottom line. And as the start in Diagnostics was exactly the opposite, I think we will need to think that through and see what the next quarter exactly will bring. And then we might need to update the assumptions, which are -- which forming the basis for the outlook.

After Q1, for us, the main message is that we see us very, very strong in our core that we see an unfortunate, but from our standpoint, temporary and ring-fenced issue for diagnostic in China and that the combination of both will, first of all, allow us to confirm our company outlook at this point in time. And it also gives us, I would say, a lot of optimism looking even into the midterm and our midterm ambition.

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

Julien Ouaddour, Bank of America.

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### **Julien Ouaddour Bofa Merrill Lynch Asset Holdings Inc - Analyst**

So my question is on Imaging margin. So adjusted for the effect of the tariff plus the special items, I think the margin would have been up 120 bps in Q1, which is basically well above your midterm target you just issued some months ago. I'm just wondering if the main drivers are -- I mean, the one that you're basically exiting today, the photon-counting CT and the PETNETs, given, I mean, fast growth on one side and the accretive profile for the margin on the -- on the other side?

And how should we think about the coming quarters given these trends are just very likely to continue? And because you say Diagnostics is maybe a little bit softer on margin versus initial expectations, would you say Imaging and PT could offset it? And I mean that's why you're keeping the guidance unchanged.

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

I'll start with the second one. I think you are totally right. So when you have 80% of your portfolio performing better and 20% revenue wise, weaker, I think that's more or less, and you are early in the year with the first quarter, then you can -- that's, I would say, the main rationale behind us confirming our outlook. So that is clear.

When -- I'm sure we talk since eight years about Imaging margins and that they also sometimes fluctuate a bit quarter by quarter on always very high level, industry leading in every regard. And this quarter was a decent mix quarter, but the margin was 21.6% will be not the highest for the year. That's not what it is. But it will be -- it was a good start. We are very happy with what we've seen.

But I think it would also be not prudent to assume that we now will, every quarter, improve margins by underlying by 120 basis points. That's not what it is. Is photon-counting CT per se helping on the margin expansion? Yes, it is.

PETNET is not necessarily a huge margin tailwind because here, we don't own the IP. We manufacture and distribute this. We have a completely different P&L profile in that business, significantly lower gross margin, but also a very, very significantly lower OpEx portion in there so that the margins are more or less in PETNET, slightly better than the average, but not much.

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

David Adlington, JPMorgan.

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

Just maybe on Varian. Given the fact you confirmed you're launching a new product in September, I just wondered if you're expecting a bit of an air pocket on US orders between now and then as customers wait on the new system.

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

I mean the short answer is no. And we will also see to some extent, but I want to be a bit careful to not disclose too much when it comes to the new product or new technology because in a way, it's also a question, is it a product? Or is it a new -- a complete new philosophy of treatment?

So it's -- and Varian has a very strong track record when it comes to taking care of existing customers of installed base. So it is a topic which we don't really see and where we also know how to -- where the team knows quite well how to handle this.

So -- and in the end, I mean, a topic where you also don't need to be, let's say, too concerned is that typically the time between orders and revenue on the Varian side is pretty long, so that the current revenue line is pretty much secured with the orders we have in-house, and then we can still have a discussion with customers who have issued orders once the new technology is announced, whether they want to stick with the original scope of their order or whether they want to convert, which potentially also comes with a price.

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

And David, as one data point, book to bill in Q1 in Varian equipment book-to-bill, which is exactly referring to what you're asking for was very healthy again.

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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**

Hope you can hear me okay. My question is related to Diagnostics. Obviously, a new round of challenges coming now this time from China. Could we just get a sense of what is your commitment to the business for the mid to long run, given this new round of challenges and obviously, difficult financials once again coming from the division?

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

Yeah. Julien, I mean, I want to qualify a little bit the new round of challenges. I mean we knew that China is -- or the transition in China is a topic for our Diagnostics business as much as it is a topic for all competitors and peers in the market. It's a process, which lasts a couple of quarters.

And that is not changing, let's say, materially how we look at diagnostics and how we look at Diagnostics, I think we have also indicated at the Capital Market Day, we have, as part of the transformation program, verticalized the business, meaning it steers its own sales and service as a vertical entity.

We have been also very clear that there is a synergetic core of Siemens Healthineers around the strategic triangle comprising the two businesses, Imaging and Precision therapy and that we want to give Diagnostics even more freedom after that successful transformation with now 70% Atellica revenue in the core lab, 20% growth rate to further verticalize its structure to then also create optionality.

And we will take it from there. It is very clear. This is a business within -- this is a business with its own logic. And we want to run it as independently as possible. And there is, of course, optionality in the long run, whether we are the better owner or not. And when I say the synergies are limited, I'm kind of indicating how we are thinking.

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

Hugo, Exane.

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### **Hugo Solvet Exane SA - Analyst**

Just a quick follow-up on a previous question, but focused on China operation. You made comments that you would be looking at streamlining the China businesses. Does it mean that you will be just keen to make that more efficient across all businesses or reassessing whether operating the three businesses in China still makes sense? And I guess how far would you be willing to go? And if you can give us a sense of the value of the Chinese assets on the balance sheet?

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

So first of all, there was no comment regarding China at all and our commitment to -- yeah. Okay. So I mean the only topic, which maybe Jochen was commenting on, I mean, since in Diagnostics, the Chinese -- let's say, the volume in the Chinese market is going to a significantly lower level, we are also adjusting our go-to-market structure. And on the other hand, I mean, there is also an opportunity for efficiency because the more volume-based procurement, the less, let's say, retail quote, unquote, go-to-market you need.

Otherwise, we are happy with 8,000 employees in China. We have about 1,000 R&D employees in China, about 10% of our workforce generating about, I don't know, 12% -- 11%, 12% of revenues. We are confident and we see it also we had that in our assumption for the midterm targets that China will slowly return to growth. We baked in an assumption of 5% growth into the midterm targets, which is the midterm as defined as the period of '27 to 2030. And I hope that answers the question.

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

And maybe just because of your second part of the question, assets and so on and so on. I think we need to differentiate between two things. And my comment was more related to what Bernd answered. It was the China market, and we need -- obviously, we do this in every market. If market dynamics do change, we adjust the way and the resources we put or we assign to those markets or employ to those markets.

China is also a significant value add location for us. And this is also -- we do not plan here any changes. And therefore, this is only related to the go-to-market in Diagnostics.

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

Natalia, RBC.

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**Natalia Webster RBC Capital Markets Inc - Analyst**

It's a follow-up on the Precision Therapy side. You talked to the strong Varian performance and the weaker Advanced Therapies as expected. Are you able to talk a bit more around the drivers of the strong underlying Varian margin improvement there in Q1 and sort of what the positive business mix is that you referred to? And then just to touch on the Advanced Therapy side, if you're able to talk around any sort of initial feedback you're getting ahead of the new Advanced Therapy portfolio launch.

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

I'll start with Varian. When we had -- people tend to forget quickly. We had also not a super strong Q4 from a top-line perspective, you might recall. It was only between 1% and 2%. We have now a very strong 9% growth in Varian as discussed back then and also kind of promised because we knew what is coming.

Secondly, we had -- we referred to a good mix. Good mix comes in different forms and fashions. Depends often where you can recognize revenue in which countries because price levels do vary. It comes with different products do have different margins. I would say also the -- in particular, in Varian, how much, so to say, aftersales business, if you want to use that term, you have, how much of upgrades you can bring into the field, HyperSight, RapidArc Dynamic, other pieces, which have different margin profiles.

The relative strength in the quarter of service growth can play a role relative to equipment growth because in Varian, the margin delta between equipment and service is more pronounced than it is in Imaging. And these are factors which all went in this quarter into a positive direction and helped us to show in the second quarter in a row, a very nice margin north of 19%.

But we need to be careful that we don't expect this to happen all the time because as we also highlighted, there was a positive one-timer in that. We quantified that with 100 basis points. Varian is about 60% of the segment. Therefore, it was -- the 100 basis points were Varian related. Therefore, it's for Varian in itself, even higher than 100 basis points.

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

Yeah. And regarding the AT portfolio, I'm very, very positive and about the feedback we get from customers. Basically two topics which really stand out. I mean, on the one hand, there is a lot of positive feedback for the depth of optimizing clinical workflows of really understanding how physicians work, how seamless the systems are optimized for whether it is stroke or whether it is spine surgery.

The one topic which even stands out more is this so-called OPTIQ AI, which is the AI-based denoising of the images, which allows to produce unseen image quality at much lower dose. So you can either use it to get the same type of image quality at much lower dose, which in this case, in AT means lower dose to the patient, but also lower dose for the operator or much more detail.

And maybe as a remark in general because we often discuss what is -- how do we monetize AI. So what this points toward is also what we see in MR, for example, that this combination of bringing AI to improve system performance like we do with Deep Resolve and our MAGNETOM Free and technology is what we also now have transferred to AT, and it is differentiating the products and really making a big difference.

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

So moving on to basically the last caller for today. We need to cut it short, as I already indicated earlier on.

Falko, Deutsche Bank.

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**Falko Friedrichs Deutsche Bank AG - Analyst**

Another European medtech company told us -- told the market yesterday that they expect an update on the Section 232 list for medtech products over the next one to two months. Is that something that you have also heard? Is there anything you could share with us in that regard?

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

Short answer, no. We don't have any, let's say, tangible news in this regard.

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

I would also be -- I think this is I would say, difficult territory per se to make predictions about those things. And therefore, I think we should be cautious and we should live with and then manage the outcomes we see. That does not mean that we are not supporting our position.

And the position is unchanged in the entire industry that trade barriers are ultimately to the detriment of patient and the healthcare system that if we are here maybe reluctant to predict anything, it's not that we don't work on the right things in the background. But I think it is prudent to not predict what the outcomes might be. Sorry for this.

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

Good. Thanks, Falko. So that brings us to the end of our call. Thanks for the good questions. Thanks for tuning in again.

We'll be on virtual roadshow in the next few days and especially Monday, Tuesday, Wednesday. And of course, we have several conferences coming up in London, Miami. And if we don't meet each other or hear each other in between, we'll at latest hear from each other with our Q2 reporting in May. So bye bye.

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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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