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PRESENTATION

Operator

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. 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.

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

Thank you, operator. Good morning, and welcome to our Q2 earnings call for fiscal 2026. I'd like to thank each of you for joining us today. This morning at 7:00 a.m., we published our Q2 2026 results. All related materials 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 their presentations, as usual, we 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 web page shortly after the session ends. Again, thank you for being here. And now I'll turn the word over to our CEO, Bernd Montag.

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

Thanks, Mark, and also a warm welcome from my side. Let me start with a brief look at the key takeaways of today's call. Firstly, the synergetic core of our portfolio with Imaging and Precision Therapy continues to show strong underlying operational performance and is fully on track after the first half of fiscal 2026, especially in light of substantial headwinds from tariffs and FX.

However, Diagnostics continues to face the structural market rebasing in China, substantially impacting its growth and margin in the first half, partially reflecting this temporary harsh dip in Diagnostics growth and also reflecting the more inflationary macroeconomic and the geopolitical environment, we update our outlook for fiscal 2026.

But now let me focus on fundamental decisions shaping the future of our company. We continue to create further optionality for the future pathway of diagnostics by preparing the carve-out of this business. Also, we are implementing a carefully prepared comprehensive generational change in our leadership team, paving the way for the next phase of Healthineers.

And finally, as you might already know, Siemens announced last month that our spin-off from Siemens will be put to vote by the shareholders of both companies at the next regular general meetings in early 2027. While this may not be as quick as could be hoped for, it finally makes the time line concrete. The upcoming deconsolidation of Siemens Healthineers from Siemens marks a new phase in the evolution of our company.

Shareholders of both companies will decide on the direct spin-off at the respective upcoming ordinary AGMs early 2027. We are very well on track with our preparations for the spin-off. For example, we have our banking consortium for debt financing in place. Also, in terms of managing the liquidity event triggered by the spin, we are very well set up.

The two banks involved in the post-Q2 roadshow activity for us this quarter will be the ones to stay in touch with when the spin takes place. In November last year, at our CMD, we announced that our Diagnostics business will have its own strategy and own setup. Hence, preparing to carve out the Diagnostics division is the logical step to create full flexibility for a wide range of possible development path.

This group-wide project has been kicked off now and Jochen will accompany the carve-out process. For Diagnostics, this quarter is a bit of a perfect storm in terms of the China headwinds peaking plus intended transformation effects taking a toll at the same time.

Nevertheless, we are convinced that the business will improve its performance in the second half of the year and return to a positive growth trajectory thereafter. And finally, we are announcing a well-prepared, comprehensive generational change at the Healthineers [neers] leadership team. We bring highly talented employees to the forefront to ensure our continued success while at the same time, doubling down on health care AI.

Four highly deserving colleagues are making way. Andre Hartung, the previous Head of Diagnostic Imaging; Carsten Bertram, the previous Head of the Advanced Therapies business; Bernd Ohnesorge, the previous Head of the EMEA region; and Peter Schardt, the previous Chief Technology Officer.

For decades, Andre, Carsten, Bernd and Peter have made significant contributions to expanding our leading market position and to global health care through pioneering technological developments through being role model shaping our culture as well as through building trusting relationships with our customers and scientific collaboration partners.

The next generation of leaders brings a rich diversity of perspectives and experiences. They will build on what we have achieved so far while bringing in new perspectives and challenging established paradigms to serve patients and customers even better and to make us even more successful. I look forward to each one of them. Starting from the left, Andreas Schneck will take over as Head of Diagnostic Imaging. Andreas has been Head of Magnetic Resonance, the biggest business within the Imaging segment, and he is a dedicated Healthineer with nearly two decades of experience.

He has held multiple leadership roles across the company and brings international experience, including leading the MRI business in Shenzhen, China. Philipp Fischer will become Head of Advanced Therapies. Philipp is a trained physician and combines medical, scientific and business expertise.

Since joining Siemens Healthineers in 2009, he has held several leadership roles in the cardiovascular domain and has been responsible for the computer tomography business line since 2019, where he has been instrumental to the very successful launch and ramp of the photon counting business.

Sonja Wehsely will take over responsibility for the Europe, Middle East and Africa region. She joined us nearly a decade ago after a distinguished career in politics and public health care in Austria. With Central Eastern Europe and Central Asia, she currently leads one of the largest and most complex zones in EMEA overseeing business activities in 30 countries.

And finally, Martin Stumpe will become our new Chief Technology Officer. Martin has deep expertise in software development and AI in the health care space and has been with leading technology-driven companies, including Danaher, NASA, Google and Tempus Labs.

He will significantly contribute to increasing our impact and leadership in healthcare AI, an essential connector to our strategic strength in patient twining and precision therapy to sum it up, we are strengthening our frontline leadership with top talent to sustain success and deepen our focus on health care AI.

Now let me briefly summarize the quarter before Jochen will run you through the financials in more depth. Similar to Q1, the synergetic part of our portfolio, Imaging and Precision therapy is performing very well. Fundamentals are fully intact. Strong 6% growth.

Equipment order book continues to grow with a book-to-bill of 1.02, being slightly lower than an average quarter is just the result of phasing between quarters, and we expect a significant stronger number in Q3. And strong underlying operational margin expansion stood against the FX and tariff headwinds of around 200 basis points.

As flagged in our last call, Q2 was expected to be especially difficult for Diagnostics, particularly when looking at the year-on-year comparison. Indeed, we recorded a revenue decline of 6% as the Diagnostic business in China is challenged by a structural market rebasing against a comparably strong growth in China last year. Having said that, now over to you, Jochen.

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

Thank you, Bernd. Now let me share some color on our financial performance in Q2, starting with the Imaging segment. Let me point out the three main drivers of Imaging growth of 6.1%. The ongoing high growth of our Photon Counting CT and our Radiopharmaceuticals business and significant growth in our MRI business this quarter. We see good momentum in MRI, where nearly half of our worldwide deliveries are dry cool magnets, which need only 0.7 liters of helium, and we see this the share of dry cool technology increasing as we speak.

Imaging's adjusted EBIT margin of 22.4% is a result of decent operational margin expansion. Taking out prior year's quarter's positive special items of around 50 basis points and this year's headwind of around 200 basis points from tariffs and foreign exchange leads to an operational margin expansion of around 40 bps. Now over to our segment precision therapy.

Precision Therapy posted decent growth of 4.7% against a tougher comp of 9% growth in the prior year quarter. Varian has significantly contributed to this with 7.5% growth, accounting to a strong varying first half comparable revenue growth rate of 8.3%. Excluding the headwinds from foreign exchange and tariffs we saw a strong operational margin expansion in Q2.

The expansion of around 150 basis points year-over-year was driven also by a favorable business mix. This amounts to an outstanding operational margin expansion in the first half of around 300 basis points year-over-year. And now let's complete the segment run through with Diagnostics.

Diagnostics revenue and margin decline continued in Q2 due to the structural market rebasing in China. As we have discussed, volume-based procurement and reimbursement reductions continue to be a major headwind in China. This led to muted demand and was another drag also on the Q2 revenue line on top of volume-based procurement. Additionally, the year-over-year revenue decline in Q2 was more pronounced due to tougher comps. In the prior year quarter, Diagnostics China still grew in the mid-single digits percent.

The significant revenue decline led to a significant negative conversion missing in the EBIT line. As Bernd mentioned beforehand, Diagnostic is facing a bit of the perfect storm with significant challenges in China, while at the same time, Diagnostics is in the midst of its transformation, which is also muting growth due to the tailing off of our legacy business in the core lab. However, the transformation to one platform in the core lab and the structural market rebasing in China are temporary in nature. What will remain and is relevant for the midterm is the ongoing growth of the Atellica franchise.

Atellica continues to grow in the mid-teens and has meanwhile reached a revenue share of more than 70% of our Core Lab revenue in the last quarter. And now to conclude, let's have a look at the group. Let's start with the top line. The Americas continued with strong growth and EMEA returned to growth after being flattish on a high level in the last quarters. China revenue decline was just due to diagnostic market rebasing.

Excluding Diagnostics, China revenue was flat year-over-year, in line with our China assumptions for Imaging and Precision Therapy. On earnings, the biggest year-over-year headwinds were again foreign exchange and tariffs of around 200 basis points. Taking these headwinds out, the adjusted EBIT margin was flat year-over-year and adjusted EPS was up by 16%.

The major drivers for the composition of the strong operational earnings growth in Q2 were a strong operational performance by the Synergetic core, compensating for weak diagnostic earnings contribution and a year-over-year favorable financial income and tax rate.

Finally, there was a strong free cash flow with a decent cash conversion rate of 0.81 in Q2. In Q2, we also booked a reversal of an intangible asset impairment in our Precision Therapy segment of around EUR40 million, which obviously did not have a cash impact and no impact on adjusted EBIT as it was adjusted.

So the cash conversion rate without this impairment reversal would have been around 0.85. Now let's have a look at the first half earnings performance and what you assume for full fiscal year 2026. On the left-hand side, you see the adjusted EPS bridge from fiscal year 2025 to 2026.

There are no changes to (technical difficulty), all came in more or less as expected. The year-over-year foreign exchange headwind as per first half now stands at EUR0.11 of roughly EUR0.15 for the full year.

In the second half, the foreign exchange headwind on EPS will become less material as we're going against an already weaker dollar in the prior year period. And regarding tariff headwind, the majority of the year-over-year headwind came in the first half. In half year two, tariffs are already partially in the comparables. Bear in mind that we leave our tariff assumption unchanged due to the ongoing uncertainty in this field.

While we are impacted slightly less under the currently imposed Section 122 at this time, no meaningful estimate is possible regarding the outcome of the proceedings for Section 232, neither in terms of impact nor on timing. We are also not including any assumptions around potential refunds from the US IEEPA tariffs in adjusted EBIT if they would materialize.

The only change to our initial assumption is that we now include additional inflation in the supply chain of around EUR0.05. Therein, the main inflation drivers are memory chips, raw materials and logistic costs, the latter due to the current crisis in the Middle East. This moves the midpoint of our EPS range from formerly EUR2.30 to now EUR2.25.

Let me remind you that the last time we incurred additional inflation in the years after the pandemic, we were able to mitigate these headwinds completely over time. After the pandemic, when the world was hit by an inflationary shock, we focused on our economic equation, driving pricing excellence, converting our market share gains into economies of scale and driving continuous cost productivity.

Regarding pricing, back then, this was the first time since over a decade that we turned from price erosion to price accretion, and we did this very successfully. We were able to mitigate these headwinds completely over time. Now today, we are still actively managing pricing and have already implemented a cost program this year, all in order to mitigate an assumed EUR400 million headwind from tariffs latest by the end of fiscal year 2028.

So today, we are well prepared to counteract further potential headwinds from an inflationary environment as our muscles are trained and we are already in the gym, so to say. Back to the EPS bridge. Our operational performance of around 10% underlying earnings improvement in fiscal year 2026 remains unchanged.

And we are well on track, already EUR0.18 on the envisioned EUR0.25 operational improvement materialized with the end of Q2. This is due to the strong performance of our synergetic core, the segment Imaging and Precision Therapy and due to the favorable tax rate and financial income net.

The latter, tax and financial income roughly offset the weak Diagnostic earnings performance in the first half. We update our outlook for fiscal year 2026. We now expect revenue growth of 4.5% to 5%. The update of the revenue growth is solely due to the structural rebasing of the diagnostic market in China. For adjusted earnings per share, we now expect to be between EUR2.20 and EUR2.30.

As pointed out at my commentaries on the EPS bridge, we now consider EUR0.05 additional inflation in the supply chain, which moves the midpoint from formerly EUR2.30 to now EUR2.25. What is not considered are potential refunds for the US IEEPA tariffs. For Diagnostics, due to the structural rebasing of the diagnostic market in China, we now expect in revenue a low to mid-single-digit percent decline year-over-year and a mid-triple-digit basis points margin decline year-over-year. The lower than initially expected growth and margin performance in Diagnostics, we expect to be roughly offset by year-over-year more favorable financial income net and lower tax expenses than initially assumed.

Based on first half actuals of minus EUR155 million, we now expect around minus EUR340 million of financial income net for the full fiscal year. For the tax rate, also based on first half actuals where we saw positive special items in Q2, we now expect around 24% for the full year. This is on prior year's level.

Let me also update you with our latest view on Q3. As said before, and this is important, the equipment book-to-bill this quarter was slightly lower than an average quarter and is just the result of phasing between quarters. Consequently, we expect, again, a much stronger equipment book-to-bill in Q3 than in Q2, as also highlighted by Bernd beforehand. And this is backed up by a strong funnel. We expect revenue growth for the group in Q3 to be above our updated outlook range of 4.5% to 5%, more in the range between 5% and 6%.

In this segment, this assumes Imaging to grow mid-single digit in line with the assumption for the year and Precision Therapy to accelerate growth in Q3, particularly in our Advanced Therapy business. For Diagnostics, we expect a year-over-year revenue decline also in Q3 but less than the 5% decline in the first half. Half of that decline would be a good ballpark for Q3. Before we speak about margins, let me quickly comment on the two major nonoperational headwinds this fiscal year, foreign exchange and tariffs.

In the segments, we expect similar foreign exchange headwinds on margins as in Q2. We see the year-over-year translation headwind easing in Q3 compared to Q2 as we will be going against an already weaker US dollar from prior year. On the margin, the year-over-year headwind as in Q2 persists because the hedging is rolling off. On tariffs, we do not expect a material impact year-over-year.

Taking this into account, we expect a year-over-year margin decline in Imaging and Precision Therapy due to the foreign exchange and the aforementioned additional cost inflation. For the Diagnostics margin, we expect a similar year-over-year margin decline as in Q2 of around 5-percentage-points contraction against a very tough comp from prior year. Remember, more than 9% margin last year in Q3. Sequentially, we expect an improvement in margins due to recovering top line in absolute terms and further cost reductions from the transformation program.

Now that we have updated you for our fiscal year 2026 and our upcoming Q3, let me now share some of our current expectations regarding impacts after this fiscal year from the deconsolidation from Siemens. Our preparations for the deconsolidation are progressing for some time now, and we are ready with regard to refinancing and separating the few remaining services we still source at arm's length from Siemens AG.

Regarding refinancing, we can reiterate our statement from our Capital Market Day last November that we do not expect a material impact from refinancing in the outer years. This means that after the deconsolidation, we continue to expect financial income net to be in the ballpark of our initial assumptions for fiscal year 2026 of minus EUR420 million to minus EUR380 million. This also holds true in the current interest rate environment with somewhat higher interest rate compared to the time of our initial assumption.

Compared to the current lower assumption for this year of around minus EUR340 million financial income net, this would be, of course, a decrease in financial income net in the outer years post deconsolidation, but with a manageable impact on EPS in the low to mid-single-digit euro cents.

Also, let me point out that once we unwind our foreign exchange derivatives and repay our mainly low interest US dollar loans premature, we received a cash compensation for the positive market values of the derivatives and the US dollar loans that provides additional deleveraging opportunity.

For example, if interest in the US increases, the low interest US dollar loans become more valuable, which increase the cash settlement and thereby the deleveraging opportunity. Of course, this is not fully insurance against increasing interest rates, but it is something that works in our favor if we need to deal with higher interest rates than today.

And separation costs for the remaining services from Siemens AG, like resetting some IT contracts, we assume to be in the ballpark of mid-double-digit million euros, so also a very manageable impact. Any onetime costs from the separation, we expect to be adjusted in EBIT and EPS.

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

QUESTIONS AND ANSWERS

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

(Event instructions)

Graham Doyle, UBS

Graham Doyle - *UBS AG - Analyst*

Good morning, guys. Thanks a lot for this. Just on inflation. So you've obviously made quite good progress this year on the tariff side of things, and you can see that in the Imaging margin. Just looking at inflation, it doesn't look like a massive headwind. But how much visibility do you have looking into next year to sort of think about mitigating pretty much all of what you see today? But just good to get a sense of that as we think about modeling that. Thanks.

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

Thanks for the question, Graham. And I would love to have a crystal ball to see what the world will be doing next year. But from what we currently see and if we would assume that things stay as they are, I would say that this will be a manageable topic going forward. This is how I would see it. So far, we don't expect to see real shortages, which will hold up delivery schedules.

We don't see this currently. I think the raw material prices are a topic, but not a huge topic. As you know, we are not a mass producer. We don't have a massive impact from raw materials in play. I would say this is a topic, I think, to be managed.

Logistics is obviously very much dependent on also on the Middle East situation. Nobody can predict how that goes and you see how the markets react. But I would say, in the current environment, I think this is also -- if that stays, I think that will also be manageable going forward.

And lastly, I think as I mentioned in my short remarks to the quarter is that we are already fully lined up to counteract with price management. We have started what we call a Lean for Growth program for additional productivity, which we could also, if need be accelerate again.

So therefore, I feel that we are better prepared than in the last inflation and maybe remind you, the biggest topic, which was also a bit a delayed topic, which came from the inflationary topic were also personnel costs as a -- so to say, second-tier consequence. And therefore, we also need to observe what all those topics really do to the overall inflationary environment, which is still really in the crystal ball, which I don't have.

Graham Doyle - *UBS AG - Analyst*

No, that's really helpful. If you get that crystal ball, just I could use it. Thanks, guys.

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

Veronika Dubajova, Citi.

Veronika Dubajova - *Citibank Cameroon SA (Douala Branch) - Analyst*

Hi, guys. Good morning and thank you for taking my questions. I'm going to sort of ask a two-parter, but obviously, given the reduction in the Diagnostics margin outlook in the short term, just curious how you feel about that towards team's expectation for the business in the long term? And I guess also, just given that change in the diagnostics dynamics, I'm curious whether you have thoughts on the midterm guidance?

And to what extent there might be incremental pressure the inflationary backdrop on it that we should be sort of reflecting upon as we think about that double-digit EPS growth guide that you've given for the midterm? And then if I can just ask a quick clarification on your comment around the separation cost. Does that also include them? Branding, that's still a discussion that's ongoing? Thank you so much.

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

Yeah. Thanks, Veronika, for this, I would say, one and one and one plus one question. I start here with diagnostics. I think we still are on a track to get to our mid-teens margins in the midterm for diagnostics. This is still the ambition we have and I mean, obviously, when you look at the current margin environment, that seems to be a steep curve and it is a steep curve.

But we expect, as I also highlighted, also a clear improvement already in the second half, not a year-over-year improvement, but a sequential improvement. So one other topic, which I think will be a key driver going forward is also not only China, it's also the broad performance of our core lab solutions in the entire world, also in the US market.

And we -- as we highlighted, we are currently in the midst of a fundamental -- one fundamental, I would say, transformational move with regard to legacy platforms. We take the Vista platform out of the US market. It's a tough undertaking currently. And we do not benefit currently tailwind wise from a significant contribution from the US market in this regard, which is a profitable market.

Therefore, we have high hopes and high expectations to turn this around and then benefit from the very successful Atellica platform going forward. On the inflationary topic, I think, as I said, that is crystal ball watching. We will do our best to contract.

I think we are most like you will have a faster start than last time because that was really, I would say, a pivotal moment the business. I believe that is also something what the entire market will -- is better prepared for. Therefore it will happen and I think the double-digit EPS growth as the fundamental ambition for the midterm stays in place.

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

Yeah. And I know that this moves many people among your colleagues also. I mean, this is, of course, a discussion which one needs to have with a lot of care. I mean, it's about the brand and we are in really very good discussions with Siemens here.

But let me maybe say so much. I mean, we are in a very good position or situation, I would say, that we have built over the last year, over the last years, basically since IPO and even a little bit before, a Siemens Healthiness identity. When you look at the logo, there's a petrol part, there's an orange part. We have a different design language.

When you look at our products, so there's a lot of orange. We have many options here and so what I can rest assured, what I can assure you is that there will be no surprise here with a significant profitability impact. Because in the end, I mean, what I'm trying to say here is.

There is an opportunity to leave things as they are if it's if it financially is attractive and otherwise we have built very consequently also an alternative and you could argue that in the long run, it maybe also makes sense when companies who do something totally different also have different names.

So this was a little bit of an insight into the ongoing, extremely constructive discussions and I want to, let's say, especially take away the fear of a sudden material change in costs.

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

Julien, Bank of America.

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

Hi, good morning, everyone. I hope you can hear me okay. So My question will be on Diagnostics. It seems you're moving forward for a complete payout of the business. So should we just believe that it means you -- I mean you don't believe you're the right owner for these assets and you have thought about a partial pathway for the separation.

I know in the past, we talked about spin-off, potential disposals. So have you -- let's say, have you got specific ideas or even have you already taken interest from personal buyers? And also, if you can comment about the potential timeline for that, that would be super helpful. Thank you.

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

Julien, maybe let's take a step back and look at the overall strategy and the path we are on here. And as you might recall, I mean, at the Capital Market Day, we said after this successful first half of the transformation program of the Diagnostics business. Now it's time for it to have its own strategy and own setup.

And now what Diagnostics is doing is basically three things. It's on the one hand, it's continuing the transformation program, including the completion of the transition to Atellica, which is now, I think, in the range of 70% already of the Core Lab business. It continues to grow by 20%.

Second topic is weathering this four to six quarter transition phase in the Chinese market, which is weighing on that overall positive trajectory of especially the bottom line. And thirdly, in addition to the verticalization, which we have so far done of the business internally, also build all the functional setup and also think about how to create legal entities for this business so that it can operate as a completely stand-alone business.

And then it is a question, I mean, whether we are the best owner. I think to some extent, we have answered that Siemens Healthineers is -- we call it a business with two cores. We now after the Capital Market Day, the language has maybe a little bit changed, but it's, in essence, the same topic.

We speak about the synergetic core and the separate path for diagnostics, which means that we can be an owner of this business, but we don't have to be an owner of this business and in the end, and here, I want to be extremely clear, the shareholders of Siemens Healthineers own diagnostics.

So this is not a source of funds for us. So when we do something with this business, it will be in the interest of the shareholders. and it will be used so that shareholders are benefiting from it, and we will not use this as some kind of a source of funds for other ideas.

David Adlington - *JPMorgan Chase & Co - Analyst*

Maybe one asking. So maybe for some China, obviously, twin doors of flat ex diagnostics. Just wondering if you're maintaining share there and how you're feeling about potentially increased local competition. And then just the housekeeping one just when you think diagnostics will be stripped out of the reporting as discontinued operating?

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

I mean, David, if I understood correctly here, you're asking about China ex diagnostics in terms of market share correct?

David Adlington - *JPMorgan Chase & Co - Analyst*

Yes.

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

So here, we are -- we continue to see a positive development in terms of market share. I mean, to give you a feeling, I think we have been pretty transparent about this, our market share is not at the same level as it is globally. And -- but we have been continuously not only defending our market share in China but have a slight positive track record over the last quarters.

To give you a rough feeling, I mean, while maybe our market share in the globally, which means also including China, but globally is more in the range, if you take imaging as an example, and you saw it in the Capital Market Day is in the range of between -- in the mid- to high

30s. It's maybe about 10-percentage-points lower in China but holding up. But we see -- and it's also, I think what everybody knows that when we look at the bucket of the others that we see a shift towards more local competitors while especially, let's say, the subcritical multinationals are losing ground.

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

With regard to accounting treatment of the diagnostics business, the rules are relatively clear. You can only account for a business as discontinued operations if it is very certain that you will close with the business and the business will, to say, leave your portfolio of businesses if and when it is very clear to get this done within twelve months, we are not at this point in time yet.

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

Okay, thanks David. Next one (technical difficulty)

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

Could you please comment on the US market where revenue growth has decelerated a little in Q2, albeit on a very strong quarter from last year? How are you thinking about the rest of the year in revenue growth terms, but also orders based on recent customer conversations given slightly softer book to bill in FQ2? Thank you.

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

There is no particular new development in the US. We are very happy with the development. There's no big change in customer behavior. I mean, we see a lot of, I mean, in the end, I mean, procedure growth driven demand. I mean, we see -- as you know I don't want to do, the classic elevator pitch, but is simply true.

I mean, what we do is center stage for healthcare and imaging and radiation therapy, advanced therapies are profitable businesses for our customers, but not only this. I mean, they are core for making sure that patients end up in your health system.

So they are -- they are an essential topic and not something you decide discretionary to invest in or not. So it's just a center stage of what modern healthcare is and we see, in addition, the build out of additional ambulatory sites, alternative sites of care and so on bring technology or bring capabilities, healthcare capabilities to where the patients are as opposed to the other way around.

So all these trends are intact a part of the not a little bit, let's say, lower book to bill in this quarter has been that we haven't -- we basically in this quarter didn't have some of the really big enterprise services or long-term contracts.

We are -- on the other hand, we have some good visibility of larger contracts in the funnel, which also shows, on the one hand, why we are confidently speaking about a much better book to bill in Q3 and also for the future growth in the US revenue here or continued growth in US revenue.

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

And Hassan, maybe on that growth rate, I think when you think about 7% based on a 15% or something like growth in the year before, I think these are super tough comps. So I think it's -- as Bernd said, the market is very attractive. It's working very fine for us there, and we are very happy with what we see in the US market. It's more a reflection of the very tough comps.

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

Okay, good. Hassan, thanks, moving on to Hugo. We have still a lot of people in the queue. I almost doubt that we will make it. But anyway, Hugo, go ahead, please.

Hugo Solvet - *Exane Bnp Paribas - Analyst*

Hi, guys. Thank you for taking my questions. I just have a quick clarification on the recurring separation costs and on the timeline to get back to financial income post the consolidation in the EUR420 million to EUR380 million. It wasn't clear to me, Jochen, based on your comment, whether you will get back within this range as soon as the deconsolidation happens after a grace period or at a later stage, given you also mentioned the need for deleveraging over time. Thank you.

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

Yeah. Hugo, (inaudible), we need to get to the -- to all those points, and then we need to see what the interest rates are at this point in time. This is all assumption based on current interest rate environment, we gave you, so to say, a flooring. And the flooring is we expect us not to get above this range of minus EUR420 million to minus EUR380 million in no year exactly based on and therefore, most likely, depending also on the structure, there could also be a certain period of time where we might even are below this could also be because depending on how you structure it with a bridge and then the question is how long do you have the bridge, and this is also depending on the interest rate environment.

I think for what -- I would say the intention of the presentation at Capital Market Day and the reiteration of now is to give you a flooring of what to be expected, and that's what we did. And it's -- but I can't tell you exactly how that will be because we also need to -- are also depending to find an optimized way within an existing interest rate environment, which we don't know yet how that will be then.

Hugo Solvet - *Exane Bnp Paribas - Analyst*

Super helpful. Thank you.

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

Aisyah, Morgan Stanley.

Aisyah Noor - *Morgan Stanley - Analyst*

Hi, good morning. Thanks for taking my question. My question is on Diagnostics. So I appreciate the comments on the China decline in the quarter. But I noticed for Diagnostics ex China, you called out a decline in Americas and a flat EMEA, which compared to the prior year quarter was also a decline in Americas and flat EMEA. So is there a broader deterioration in the market growth here in your view? Or is there more competitive headwinds ex Atellica? Thank you.

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

Aisyah, I'm not sure that where we pointed this out. I said we have not seen significant tailwind from the Americas market. I think there is no breakdown, I would say, in general in the numbers. Without China, we are flattish in the quarter. And we don't see any market deterioration neither in Europe nor in the US market. And also when you look at other announcements of peers and also customers, in particular, the US market seems to be healthy.

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

Julien, Jefferies.

Julien Dormois - *Jefferies LLC - Equity Analyst*

Yes, hi, good morning, guys. Thanks for taking my question. It actually relates to the MR franchise. I think you indicated in your prepared remarks that close to half of your machines currently sold are dry cool as we speak. So interesting in the context of what's happening in the world, obviously. So how do you see things evolving in that segment? Could we go to a fully helium-free fleet in the coming years? And also, curious whether that comes with a significant mix benefit on your side as well would be helpful. Thank you.

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

Yes, thank you, Julien. I mean there is a clear strategy to switch to a completely dry cool as we call it, based product portfolio. I think we even had a slide on this on the Capital Market Day as far as I know. So -- but in the end, I mean, the idea is here to have that combination of this helium-free technology plus all the benefits of AI-powered imagery construction, which also means significantly getting to better diagnostic quality on the same hardware.

So that it is a topic where the customer benefits with lower life cycle costs. But on the other hand, both the topics, so this kind of physical AI, if you wish, plus the DryCool technology on the helium side also significantly helps us to reduce our COGS.

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

Richard, Goldman Sachs.

Richard Felton - *Goldman Sachs Group Inc - Analyst*

Thank you. Good morning. Just one for me and a follow-up on China Diagnostics, please. I'd be interested to know a bit more about what the update -- what scenarios for China Diagnostics, the updated guidance captures.

Is this a mark-to-market for the changes in the market that resulted from VBP and DRG and you assume it's sort of stable and maybe gets better from here? Or does it also take a view on further potential policy headwinds and maybe changes to market share dynamics in China Diagnostics post VBP? Thank you.

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

Richard, the assumption on China for this fiscal year is based on what we know today. I think that is primarily driven by the expectations on volume-based procurement and DRG changes. And -- this is not also not such a fast-turning business in this regard. Therefore, this is based on this, and then we will take it from there.

Our assumption on the Chinese market is and there are also, I would say, certain indications for this that we will reach in the near future, a new baseline from which I would say, also growth in the market will kick in again.

But this is nothing which helps us really in this fiscal year, really. What you have to have in mind is that we saw -- we started to see significant decline in China last year, starting with Q3. That means our comps are getting significantly easier in the second half. And that's also what will drive, I would say, a lower revenue decline in the second half in Diagnostics relative to the first half.

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

Ed Day, Redburn.

Ed Day-Ridley - *Rothschild & Co Redburn - Analyst*

Hi, thanks for this. On memory chips, can you just remind us roughly what the proportion of your COGS is for memory and perhaps the extent to which that has changed over the last 12 to 18 months?

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

To be honest, I don't know the number. It cannot be -- it's not a huge number of our COGS. It is a number, but it's not a huge number. And the prices have significantly increased. And because -- and that maybe underscores that this is not a huge number.

But if it significantly increased, even a small absolute amount has an impact. The memory chip is in the EUR0.05, the biggest line item, so to say. That I can say, but I don't know the number out of my head. It's not a huge number.

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

Falko, Deutsche Bank.

Falko Friedrichs - *Deutsche Bank AG - Analyst*

Good morning. Given how important it is to start the next fiscal year with sensible consensus expectations, and I just saw that consensus expects 16% adjusted EPS growth for fiscal '27, which looks pretty ambitious. Can you give us your very early ballpark view on this and where you think a more reasonable starting point could be?

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

Reasonable starting point. I think I'm not sure what you mean with this, but I would say it's EUR2.25 is, so to say, the starting point for the calculation because that's what we currently guide for as a midpoint of the range of EUR2.20 to EUR2.30. I'm not sure if you asked that. And then I think our midterm guidance of double-digit EPS growth is still the best guess we have. So I can't -- I would not be in the position now, at least not meaningful in the position now to give you any other guide in this direction.

Falko Friedrichs - *Deutsche Bank AG - Analyst*

Okay, fair enough. Thank you.

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

Natalia, RBC.

Natalia Webster - *Rbc Capital Markets - Analyst*

Hi, thanks for taking my question. It's on Precision Therapy as you're expecting acceleration in Q3. Firstly, on the Advanced Therapy portfolio launch, are you able to give any color on your progress and any feedback to dates? And then regarding the upcoming Varian launch in September, are you seeing any impact on order timing or customer decision-making ahead of that? Thank you.

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

on the IT side, there is very good to great, actually, so I'm mainly not known for speaking too much in superlatives, but it's a very encouraging customer feedback, especially the -- I mean, what stands out is the AI-powered almost, again, physical AI-powered boost in diagnostic quality in real-time imaging, which is either makes the unseeable able or lowers x-ray dose to patient and operator, plus customers love the improvement of workflow -- also help not only in orders, but also on the revenue side when we can deliver in full capacity. On the very large, we are very well on track. And so far, since people understand that this is this is almost an additional opportunity. So it's not like this is making my existing equipment outdated.

This is almost like a photon counting CT coming on top in terms of the capabilities. We also dont have the topic which you had in mind potentially where peopleare holding back orders in order to wait for this. So we will see, I think, here the best of all worlds.

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

Susannah, Bernstein.

Susannah Ludwig - *Sanford C Bernstein & Co LLC - Analyst*

Good morning, and thanks for taking my question. I just have a follow-up on the progression in the China diagnostics business. You noted that the comps start to get easier from Q3. I guess maybe could you give us a sense of what percentage of diagnostic sales China contributed in H1 last year versus H2?

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

So okay, Jochen looks at me with a question mark, and you say so take it. I mean I give you -- this is a rough, rough estimate. So I would estimate that traditionally, China which for the group is more in the, whatever, 12% range or so of revenue contribution. In Diagnostics, it always has been slightly lower, yeah. So think of something in the range from 8% to 10%.

And now roughly think about this becoming only 4% to 5%. And what is -- what is bad about it is that this is happening within the course of one of such a short amount of time. But what is good about it and don't look at that -- at that level, it becomes then also the contribution from China is also less material and future volatility cannot even -- I mean, will not happen at the same order of magnitude, but the denominator isn't also there anymore in the overall diagnostics top line will shrink together with the revenue.

Susannah Ludwig - *Sanford C Bernstein & Co LLC - Analyst*

That's helpful. Thanks.

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

So as announced at the beginning of the call, we are a bit tight on time. So the hour is over. Thanks for the good questions and the discipline mostly in the number of questions. And yes, well, anyway, we're looking forward to seeing you in the next days and weeks at conferences and road shows. We are at a lot of conferences.

We are going to be virtually on the road next week and physically in the US. So if you want to catch us, I'm sure you'll get an opportunity. Beyond that, we also have our podcast coming up again. By the way, at least if I understood my communications colleagues, we have a good chance of maybe putting this even on Spotify, so that it will be a more decent delivery into your mobile devices in the future. So hopefully, that helps your comfort in terms of consuming this product. Yeah, that's it for me. Have a nice day and see you soon. Stay safe and healthy. Bye-bye.

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.
