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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.

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

Thank you, operator. Good morning, and welcome to our Q2 2025 earnings call. It's great that you're listening again today. 7:00 AM, we published our Q2 2025 results. All the related material for today's results release is available on the IR section of the Siemens Healthineers web page.

In a moment, our CEO, Bernd Montag; and our CFO, Jochen Schmitz, will be presenting to you what you need to know about our fiscal '25 Q2 and about the near-term outlook. After that 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 web page shortly after the session ends. Again, thank you for being here. And now I'll turn it over to Bernd Montag.

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

Thank you, Marc. Dear analysts and investors, welcome to our Q2 earnings call. Many thanks for joining. Following a successful start to the new fiscal year, we have been able to add another excellent quarter. In Q2, we grew by nearly 7% above the pace we have guided for the full year.

Adjusted EPS also grew, driven by top line growth and margin expansion. Regarding the outlook, we confirm our revenue outlook for fiscal year 2025. And without the current tariff environment, we would have discussed the achievability of the upper end of the guidance ranges for revenue growth and adjusted earnings per share.

However, we have to cater for these new tariffs and the rapidly changing global trade environment and so cautiously decided to broaden the bandwidth by lowering the bottom end of our EPS outlook range. As we have already taken first measures to adapt to the new tariff environment, we feel very comfortable with this new EPS range, assuming that the currently formulated tariffs stay in place.

By this, we mean the imposed tariffs of 10% and from July on 20% tariffs for European goods into the US, the tariffs for China, Canada and Mexico, as well as the tariffs for US goods going into China. As the situation is still in flux, especially with regard to European goods going to the US, it is too early for larger structural decisions in terms of adopting our production footprint.

But let me be clear, we would have all the means to mitigate potential impacts from tariffs, thanks to our existing global production footprint over the medium term.

Looking at the quarter in detail, we once again had a very good order intake quarter. We achieved a strong equipment book-to-bill of 1.14. Imaging, our biggest segment, grew at close to 9% with an impressive margin uplift to 22.4%. At Varian, growth continued on very attractive levels, while the margin was temporarily held back by a very high equipment share in revenue. Advanced Therapies had solid growth with a strong 18.5% margin.

Diagnostics margin expansion is on track with an expansion of more than 200 basis points year-on-year to 6.3%. And finally, it was another strong quarter in terms of cash performance. Free cash was up 64% year-over-year. For the first half of fiscal year 2025, this adds up to a free cash flow of EUR1 billion, significantly higher compared to last year's first half.

When we consider the current geopolitical and macroeconomic context, our relevance, our innovation strength, our scale and global reach remain key advantages. Let me explore this from different perspectives on the next 3 slides. I would like to start with our largest ever value partnership, documenting our unique position in the field of cancer care. We have entered into a comprehensive oncology value partnership with the provincial government of Alberta, a province in Canada.

Why does it stand out? First of all, with CAD800 million, it is the biggest value partnership that we have ever concluded. It clearly documents that the depth and breadth of our unique portfolio gives us particular relevance to our customers, and it just underlines how strong our offering is, especially in the field of cancer care.

It combines state-of-the-art radiotherapy and imaging technologies with our leading digital solutions and consulting. We will support Alberta to modernize its health care infrastructure and to improve quality of patient care, and we will jointly develop education and workforce solutions.

While there should be no doubt about the competitive strength and uniqueness of our portfolio, I would like to briefly remind you of our sources of growth, which remain unchanged also in a changing global trade environment. You are aware of the secular growth drivers such as growing and aging population and the rise in noncommunicable diseases. For the treatment of these noncommunicable diseases such as cancer, cardio and neurovascular diseases, health care systems need exactly what our portfolio offers.

Increasing cost pressure in health care systems, combined with staff shortages are further increasing the need for substantial innovations. The rising clinical need was not broken by macro shocks like the financial crisis, COVID, or sudden changes in the interest environment. Also, this time it will not be different. We offer breakthrough innovations for better patient outcomes. We are a market leader in the vast majority of our offerings.

And the purchase of products we provide is not really a discretionary decision. It's the clinical need that drives the decision. Consequently, the clinical need for our products and services is the driving element. It is unbroken and steadily increasing worldwide.

And finally, I come to the benefits of our diverse business profile and our global footprint in the current environment. Thanks to our setup, we have all the means to mitigate potential impacts from tariffs over the medium term. Let's narrow down the topic. Since the tariffs put in place by the new US administrations are currently focused on goods, they basically address only the equipment part of our business, i.e., the nonrecurring part.

This nonrecurring part of our revenues is about 55% of Imaging, Varian and AT revenues and around 10% of the Diagnostics revenue. A short remark on the latter, Diagnostics is not purely US-based, but it has sufficient value add in the US and so is not subject to US tariffs.

When talking about the value add, we have a well-diversified global footprint. We are not overly exposed to one region or another in terms of revenue or in terms of our setup. Everything is well balanced. Please note that especially on the revenue side, the Americas share of 40% obviously represents more than the US only.

The US was about 36% of our revenues in 2024. What you can observe is that the revenue shares of the regions largely correspond to the share of employees, which is, in the end, largely consistent with our production and R&D footprint.

Currently, we do not produce all products in all regions. However, thanks to our existing global footprint, we are able to implement changes in our value-add structure should adjustments ultimately be deemed as economically meaningful. That said, we do have a very strong footprint in the US We see ourselves well positioned to adapt to changes in any tariff environment to come. However, obviously, such decisions are not taken overnight.

The situation still very much is in flux, and we need good visibility for such longer-term investment decisions. Now I hand it over to Jochen for the financial part.

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

Thank you, Bernd, and also a very warm welcome. We had a strong quarter in orders, revenue growth and profit improvement. In Q2, we posted another healthy equipment book-to-bill of 1.14 after Q1 with 1.21. In the segments, Varian obviously stood out with the booking of the impressive value partnership with the provincial government of Alberta, Canada. Revenue growth was excellent this quarter in the Americas and Asia Pacific, Japan also posted very strong growth.

EMEA performed well in the prior year Q2. So year-over-year revenue was a bit softer with a slight decline as expected, but on a high level. China increased slightly on the low level from last year, broadly in line with our assumptions for the full fiscal year.

Earnings were also strong this quarter. The margin expanded by 150 basis points and adjusted EBIT increased by almost 20%, clearly showing the strong operational earnings performance. The year-over-year increase in earnings per share was impacted by a higher tax rate and by headwinds in financial income net.

In last year's quarter, we had a positive impact from equity investments, whereas this quarter, there was a negative impact from another equity investment. You can see this very clearly in our quarterly statement where the other financial income line net turns from a positive EUR32 million in the prior year quarter to a negative EUR32 million in this quarter.

So in Q2, tax rate and financial income net were unfavorable looking at the year-over-year development. However, for fiscal year 2025, both tax and financial income are fully on track for what we assumed at the beginning of the fiscal year.

With these strong earnings, we also had a decent free cash flow in Q2, adding up to EUR1 billion in the first half year, significantly above last year's first half. When looking at the financing cash flow and net debt level in Q2, bear in mind that we had EUR1 billion cash outflow for the dividend payout after our AGM in February. Despite this peak cash outflow for dividends that we always see in the quarter of our AGM, leverage still remained below fiscal year-end 2024 levels.

And now some remarks to the performance of our segments. Imaging grew strongly by 8.7% and had another excellent quarter, both in top and bottom line. We saw particularly strong growth in Molecular Imaging, where new tracers for theranostics drove volumes in our US PETNET business and in our Computed Tomography business. The adjusted EBIT margin in Imaging came in at 22.4%, expanding by 220 basis points year-over-year.

An excellent quarter where revenue growth dropped through to earnings with kind of spotless conversion and favorable mix and some additional tailwind from a smaller special effect.

Now let's look at Varian and Advanced Therapies on the next slide. Varian achieved a strong absolute revenue of EUR1.41 million, which is a sequential increase from the Q1 revenue of EUR974 million, another proof point for a more stable top line performance in the quarter.

And with 12.5% revenue growth, Varian continued its high growth momentum. When looking at the first half, the growth rate is about 9%, a very strong and very stable performance compared to last year's first half, which was also at 9%. The strong revenue contained a very high equipment revenue share.

With the longer useful life in the Varian businesses of the equipment, the profitability is a bit more tilted towards the service business. So a high equipment share in a single quarter can also impact the profitability levels in a single quarter.

Additionally, the quarter was impacted by about 70 basis points foreign exchange headwind. Together, these effects temporarily compressed the Varian margins in the Q2. And by temporarily, I mean to say that already in the third quarter, in the current quarter, we expect the margin trajectory to get back to what we were envisioning when we started the year. Our orders backlog gives us a decent visibility that this will level out accordingly.

Advanced Therapies continued its successful top line performance with comparable revenue growth of about 4%. The adjusted EBIT margin in Advanced Therapies came in at strong 18.5%. This corresponds to a year-over-year margin expansion of 230 basis points, driven by excellent conversion and also a decent business mix.

Let's move over to Diagnostics. The Diagnostics business continued to stabilize on the top line with 1% growth versus, relatively speaking, tough comps in the prior year of 3.7%. As in Q1, the Diagnostics business showed the expected margin improvement of more than 200 basis points year-over-year to 6.3%, driven by further operational improvements and also a decent result in light of the impact from volume-based procurement impacting the top and bottom line. Looking at Q1 and Q2 of this fiscal year, our first half year margin performance accumulates to 7%, showing already a year-to-date margin expansion of 240 basis points compared to last fiscal year's first half.

And now let's sum up the next slide, how we continuously create value quarter-by-quarter. We increased revenue and margins again in Q2, both sequentially and year-over-year, and this for the sixth consecutive quarter, a strong proof point that we continuously create value backed by our strong and constantly growing order book, driving growth with a high share of recurring revenues, expanding margins driven by growth, innovation and obviously, by the diagnostics transformation. On revenues, we expect this also to continue in the second half. On margins, we obviously need to factor in impacts from the new tariff environment, which brings me to our outlook for the current fiscal year.

Let me start with a quick comment related to pre-tariff times. Based on the strong performance in the first half of fiscal year 2025, we would have discussed the achievability of the upper end of the guidance ranges for revenue growth and adjusted earnings per share without the current tariff environment. And even including the potential effect of new tariffs and based on the strong growth performance of 6.3% in the first half, we confirm the 5% to 6% comparable revenue growth guidance for this year. Hence, our guidance for revenue growth remains unchanged for this fiscal year.

We expect the net effect of tariffs on adjusted EPS, including mitigation, to range between around EUR200 million and EUR300 million pretax for the second half based on the current tariff environment and our most realistic estimate based on what we know today. This translates into roughly EUR0.15 impact on adjusted EPS.

For our adjusted EPS outlook, we have, therefore, widened the range at the lower end by these EUR0.15. The new widened guidance for adjusted earnings per share is now between EUR2.20 and EUR2.50 from between EUR2.35 and EUR2.50 previously. If you take the unchanged upper end of the range as a starting point, the EUR0.15 from tariff impacts take you to EUR2.35, the midpoint of the new widened range.

With widening the range at the lower end and keeping the upper end unchanged, we see the impacts from tariffs as well as the quickly changing environment and our unchanged revenue growth guide as well reflected in this new range. And with this, we see our outlook as prudently derisked for the second half of our fiscal year.

Beyond fiscal year 2025, please do not simply extrapolate the tariff impacts from this fiscal year into the future, as we all know that everything we assume today will most likely change until we reach 2026. But if you wanted to create a very conservative case, multiplying the EUR200 million to EUR300 million pretax by two would probably serve the purpose under the current assumptions. However, as Bernd said, we are able to implement changes to our global footprint should adjustments ultimately be deemed as economically meaningful.

To conclude, let me share some remarks on Q3. In line with our unchanged growth guide, we would also expect the group in Q3 to be in line with our guidance range of 5% to 6% for revenue growth and growth of the segments to be in line with the respective assumptions as of last Q4 and maybe a bit stronger in Imaging and Advanced Therapies, as last year's Q3 was not particularly strong in these two segments, particularly not in Advanced Therapies. Regarding margins, with the quickly changing environment, the best assumption as of now would be to model for Q3 flat margins year-over-year for all segments.

And with that, I hand it back to you, Bernd, for a brief closing statement.

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

Yes. Thank you, Jochen. Well, we are, indeed, in intense times and we will be agile and adapting quickly to changing rules in global trade. Siemens Healthineers, and that I'm very sure about, will also navigate this storm. However, as I made clear in my statement earlier, we are in an attractive industry and our sources of growth are not only manifold, but they are also here to stay.

In September, the new ambition phase of our strategy implementation, which we introduced to you in our Capital Markets Day in 2021, comes to an end. Obviously, this will be a good point in time to plan for a larger update to the capital markets when it comes to our thinking on strategy and medium-term financial prospects. Therefore, I'm happy to invite you to our second Capital Markets Day as a listed company, which we are planning to hold on the 17th of November in London. And Marc, I heard you want to give the audience more details on this.

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

Yes, of course, Bernd. Would love to do so. Our Capital Markets Day will take place in London on the 17th of November. So it's happening roughly 1.5 weeks after our Q4 release. We are kind of joining forces for this event with Jefferies, who are, at the same time, hosting a very large health care conference in London.

Our CMD will be happening on the first day of the conference. You don't need to register for the conference to take part in our Capital Markets Day, but maybe it's an additional reason to come to London. Also as a part of preparing the CMD, we plan to conduct a perception study with our partner, Quantifier, who also helps us with the feedback collection. We would very much appreciate if you would take part in that survey and share your feedback with us, so that we can have adequately prepare ourselves and messages for the Capital Markets Day.

And with that, let's go to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) So while registrations are going on, we already have the first caller on the line, who will be Oliver Reinberg from Kepler.

Oliver Reinberg - *Kepler Cheuvreux - Analyst*

Oh, thanks so much for taking my question. Unsurprisingly, the first one is providing some kind of more color on tariffs. So of this EUR0.15 that you talked about, can you give us any kind of color what of this relates to US to Europe versus US to China? And any kind of color in terms of gross versus net impact and what are the kind of key component flows between China and US, please? Thanks so much.

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

Yes, that was a smart one question, I have to say. First of all, I think when we look at the different impacts of tariffs, I think one and the biggest impact is imports in the US from Europe. This is the biggest impact. The other impact is in theory from US

into China. This is limited to very selective parts of our portfolio. And here, we have also currently a situation where some of those are currently exempt from tariffs. Therefore, this is currently not weighing too much on the numbers.

When we think about gross and net, I think we have built in measures which are very, I would say, clearly defined for us. And the measure range is, so to say, more, I would say, the delta between the lower and the upper end of the range between about EUR200 million at the best case impact and the EUR300 million, as you say, at the worst case impact currently. And the delta is about EUR100 million, and this is more or less also the level of mitigation we have built into our assumptions.

Oliver Reinberg - *Kepler Cheuvreux - Analyst*

That's very helpful. And can I just ask, so Europe to US, I mean, is it roughly two-third or 80% of the full impact?

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

I think it's a bit less than this, because it's also -- we also have some topics in the supply chain itself and so on, yes, within US and within Europe, but it's not a big topic. The bigger topic is maybe not 80%, but it's more than 50% is this topic between Europe and US

Oliver Reinberg - *Kepler Cheuvreux - Analyst*

Thanks so much.

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

So we move on to Hassan from Barclays.

Hassan Al-Wakeel - *Barclays Inc - Analyst*

Hi, good morning. Thank you for taking my question. I will ask about Varian. You previously guided to 50 to 100 bps of margin improvement in Varian from 16.5% last year, but you've only achieved just over 15% in the first half. I can't see updated divisional guidance this quarter. So can you talk firstly about the drivers of the weaker performance and how you're thinking about the second half? Thank you.

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

Hassan, I think when we look at the assumptions by which we enter into the year, they were obviously, to take that out of the way, obviously, pre-tariff. So 50 to 150 was based on a pre-tariff environment. That is clear, I think. That was maybe also not your question. And we can also argue largely Q1 and Q2 were ex-tariffs and the tariff topic is kicking in, in the second half.

The good thing is, on the Varian side, the impacts from tariffs in the current fiscal year are limited, because we have obviously a lot of value add for the US market from the United States. And in particular, pre-tariff environment, based on everything we see, we would still feel that the assumptions we laid out in the beginning of the fiscal year are still valid from the margin improvement, so the 50 to 150.

Now coming back, why was the first half a bit muted relative to the margin expansion we guided for the full fiscal year. I think it was very clear. We had a decent start into the year with Q1. In Q2, we had, so to say, in this regard, a mix, which was, so to say, from a profitability standpoint, unfavorable. We are very happy with almost everything we shipped.

But from a margin perspective, it was unfavorable, where we highlighted clearly the significant portion and growth of equipment in there. And within equipment, it was also not a perfect mix in equipment, because there are also differences. And this is the main reason. Looking at our backlog and what we expect to ship in the current quarter and the coming quarter, we feel very good about seeing, as I pointed out, I would say, a shift back to the levels we anticipated for the full fiscal year.

Hassan Al-Wakeel - *Barclays Inc - Analyst*

Perfect, thank you. Thanks, Hassan.

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

Hugo from Exane.

Hugo Solvet - *BNP Paribas Exane - Analyst*

Hi, hello. Thank you for taking my questions. A follow-up on the EPS guidance range and the top end of EUR2.50. Could you confirm if that reflects any impact from tariff or not? And if not, is the low end more likely scenario for now given the current tariff situation? Thank you.

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

I mean, we -- at least we spent quite some time in the speech to explain how we got to the widening of the range. Maybe I briefly repeat some of the thoughts. I mean the overall impact we expect is between about EUR200 million to EUR300 million pretax, which translates post tax to an impact at the midpoint of around EUR0.15.

And then Bernd highlighted that, I highlighted that we most likely would operationally would have discussed at this point in time without tariffs more the upper end of the range. So then, so to say, deduct 2x the EUR0.15 first from the upper end, you end up at EUR2.35, and then open up, so to say, from the initial lower end of the range, the EUR0.15, to EUR2.35, you would end up at EUR2.20. And that is also now the new midpoint, the EUR2.35. And that is what we currently envision to be a meaningful assumption for our outlook, just to tell.

And the upper range of EUR2.50, I think you implicitly asked for this, I think, is we kept that because it also depends primarily on how successful we would be in upping up our mitigation measures. But this is uncertain, but not impossible. And therefore, we kept it up like we kept it up.

Hugo Solvet - *BNP Paribas Exane - Analyst*

Okay, thank you very much.

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

We move on to David Adlington.

David Adlington - *J.P. Morgan Cazenove - Analyst*

Morning guys. Thanks very much for evolving there. Maybe just on China. I just wondered how you're seeing the situation evolving there and whether you're seeing any improvement in orders and demand?

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

Yes. Thank you, David. No dramatic changes currently. So we still see the market on lower levels than what it should be quarter-on-quarter, where, let's say, the kind of little bit of natural demand should be, which means that investment decisions are still held back by the anticorruption campaign. And the stimulus program and pent-up demand don't really move the needle yet for a visible uptick in the market.

So, so far, also in this quarter, I would say it was prudent to enter this year with the assumption that the Chinese market will stay on that lower level, which it has since about Q3 last year, which also means that now the comps get a little bit easier in Q3 and Q4, so that it will be a bit of a flattish development. But overall, no material change to the better in the last quarter.

David Adlington - *J.P. Morgan Cazenove - Analyst*

That's great.

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

Julien, Bank of America.

Julien Ouaddour - *Bank of America - Analyst*

Hi, good morning. Thanks for taking my question. So my question, I'm interested to know if by now, the recently announced new Photon counting devices have received the FDA clearance and if you have started taking orders in the US Also, if we should expect order intake to be positively impacted in H2.

And I think in the past, you mentioned some revenue recognition potentially for the last quarter of the year. And let's say, still on this question, do you feel that current macro uncertainty could have an impact on hospital demand for such high-end products? Sorry for the long question. Thanks a lot.

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

Okay. Julien, I hope I understood the question correctly. I mean it was about basically the further rollout of Photon counting CT to more and more price points. Here, we are very happy with the progress, which goes as planned. And also when it comes to the new products we have introduced at RSNA, we have very good interest and we don't see at the moment that there is any change in the demand curve or in the demand of our customers.

That's also why, I mean, when we speak about overall for the company, for the equipment book-to-bill, which was again, very good in Q2, and which we will also -- and we assume it to end in the full year above 1.1 for the equipment businesses. So we don't see a change in customer buying behavior in general and also not when it comes to the assumed adoption curve of Photon counting CT.

Julien Ouaddour - *Bank of America - Analyst*

Good, thanks for thanks.

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

Moving over to the next one on the line that would be Veronika.

Veronika Dubajova - *Citi - Analyst*

Hello, good morning, and thank you for taking my question. I am going to switch from tariffs and talk about the order dynamics. Would love to hear what you guys are seeing in terms of any changes in your discussions with customers. Quite a lot of uncertainty out there in the world. And then just related to that, obviously, the book-to-bill year-to-date, I think, is running at 1.18. The guidance is 1.1 for the year.

Should we be anticipating a meaningful slowdown in the second half of the year? And if so, what drives that? Thank you.

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

Maybe -- it was not easy to hear at the end, but I hope I understood everything right, Veronika. First of all, I think when I look at the first half with a book-to-bill of 1.17, we are very happy with what we have seen. And we have also highlighted, I would say, some kind of almost spectacular wins on the Alberta deal, where a whole province in Canada commits itself together with us to fight cancer in a completely different way and structured way. I think that is a very, very good testimony to the strength of our portfolio, our offerings, our solution ability and so on.

And when I look at the full fiscal year, and this is partially answering, I would say, start answering your first part of the question is that last year, our book-to-bill ratio was very successful with around 1.1. I think it was precisely 1.11. And when I look at this fiscal year, I think this is not a bad number to assume that also this year, we will be in that ballpark of equipment book-to-bill ratio for the full fiscal year. Maybe, Bernd, do you want to say something to the market environment or so?

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

Yes. I mean, when I quickly go over the region, I mean, we discussed China with David's question; Europe, we see stable on a high level; Asia without China, good growth momentum. I mean, especially the growth drivers of more access to care and so on are definitely intact. And the demand in the US is "unbroken" if that is a good translation.

So there is just a lot of -- on the one hand, I mean, there is a lot of procedure growth. There is the continued build-out also of ambulatory centers. And there is the overall conviction that technology and especially our kind of technology is part of the solution to the challenge of doing more with less, of bringing efficiency in the system.

Of course, we monitor the situation very closely. There are a lot of topics our customers are dealing with currently in the academic space from NIH funding to looking at what will be potential topics in the US budget and whatever. But for the time being, we see a very, very good momentum in the US market and are very positive for the next quarters.

Veronika Dubajova - *Citi - Analyst*

Good.

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

Lisa Clive, Bernstein.

Lisa Clive - *Bernstein Private Wealth Management - Analyst*

Could you give us an update on your in vitro diagnostics business, both in terms of the Atellica analyzer rollout, and also you had a very strong quarter in China. Just specifically any insights into VBP and how that's playing out would be helpful. Thanks.

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

Okay. Thanks, Lisa. I mean, looking at the first part of the question, which is the progress of the Atellica rollout and Atellica transition, the success of the Atellica CI analyzer, there we are very happy. I'm personally very happy with the progress here. We see the Atellica franchise continues to grow with rates above 20%.

It is now -- I can't give you the exact numbers, but I would estimate it makes up now about 55% or so of revenues of the CLS business, central lab business, which is about two-third of the Diagnostics top line, while the legacy business is going down as planned and which gives us tailwind in the margin, which we also see in the year-over-year comparison, that because of the bigger efficiencies we have in the portfolio by step-by-step having to serve only one homogeneous installed base.

In China, we had a little bit of low comps. We had a little bit also of a special -- we have also here an OEM business, where we deliver reagents also to partner companies, which is, so to say, not a topic, which then is impacted by VBP. So that overcompensates or makes the China numbers maybe look a little bit stronger than VBP really and masks, in a way, the real VBP impact, which is there and which is slowing down our growth a bit and has a bit of an impact on the margins, but not more than we have communicated in our last call.

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

Graham Doyle, UBS.

Graham Doyle - *UBS - Analyst*

Morning guys. Thanks for the question. Just on the tariffs again, just to understand, when you talk about the sort of EUR0.15 of that EUR200 million to EUR300 million for this year, just obviously, the quarters are sort of the phase in the sense that we have. We don't have the full reciprocal tariffs until the Q4. So when, Jochen, you referred to a sort of doubling of that number being a kind of conservative scenario for next year, could you just talk us through what's in mitigation there? Because presumably, it's more than a doubling of that number when you factor in the higher reciprocal tariffs, but at the same time, there's some mitigation efforts to offset that. Just to get an understanding of how we should think about modeling '26 a little bit more clearly, please? Thank you.

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

Graham, you were difficult to hear, for me at least, in certain instances. I hope you listened carefully to what I said. I mean when we look at 2026, the only thing which I'm pretty sure is that everything we assume today will most likely not be what we will see in 2026. This is a precautious. I mean the modeling for 2026 and the guide I gave is based on the current tariff environment we see.

And here, I said, from our standpoint, a conservative scenario is to double the impact we see for the second half.

For sure, there are certain mitigation topics expiring this year. What do I mean with this? For example, the impact from shipping stuff earlier into respective markets, so to say, to avoid tariffs which kick in later. But on the other hand, we have opportunities in other fields like further, I would say, taking smaller changes in the supply chain to implement those. We will be more clear about what the selective pricing measures could do and we can definitely proceed, I would say, with prudence and cautiousness on costs and spending and so on and so on.

Therefore, we feel, I would say, good about the mitigation measures. First of all, those will be built in for this year. as well as that we can at least get to the same level in the coming years.

Then maybe one aspect is also important. Obviously, Q4, we assume Q4 almost completely with the, so to say, higher tariffs from Europe to US of 20%. Q4, as you know, is a strong quarter. So in absolute terms, so that means a high tariff load.

So therefore, we have also, I would say, not an even distribution of the impact over the quarters just because of the size of the quarter, and we have a large-sized quarter in our second half, just to say that. And that's how we see it.

We have not modeled into this number, obviously, anything we don't know yet, what reciprocal things could do or not do, because we believe there is, on the one hand, you could argue there's potential downside on Europe. But I think we also know that they implement reciprocal taxes -- tariffs, but we are very clear that this -- and our story and our, I would say, lobbying work is very clear. You can also say there's upside on what happens between US and China potentially, because I think there's obviously having those high tariffs in mind, which are currently in play, you can't almost envision that they go up again, and so on and so on. But we have not modeled into this number any changes in the tariff environment, which we are not aware of, just to say.

Graham Doyle - *UBS - Analyst*

Okay, no, that, that's all. Thanks a lot, you can appreciate it.

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

Julien Dormois, Jefferies.

Julien Dormois - *Jefferies - Analyst*

Good morning, Jorgen. Good morning, Mark. Thanks for taking my question. You've been kind enough to provide an updated guide for the margin of Varian for the full year. Would you be ready to share the same for Imaging, because from what we understand, this might be the division that faces the vast majority of the impact of the tariff situation. And then obviously, Q4 is a big swing factor into that. So would you please commit to a margin guide for the full year for Imaging, just to make sure that we get the right impact and get to the right expectations for the remainder of the year, please?

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

Yes. I mean, obviously, when we look at Imaging at the first half, we're very happy what we have seen. We were, I think, well on track pre-tariff to what the assumptions were, which we laid out in the beginning of the year. When we now look at what is coming, I think we were relatively clear what to model for Q3. That Q3 is -- yes, we recommended to model a number which is comparable to prior year Q3.

So no huge margin expansion, but not significant -- no drop, kind of.

And then also in Q4, you might recall, we had a very strong Q4 last year, but we expect also to see a very good Q4 in Imaging. And I think we should -- but we should be careful about talking too precisely about Q4, because negotiations are ongoing. We will see what the negotiations in particular between Europe and US will bring. And I think we will be much smarter most likely in July about Q4 and let's really get to this in July when we have more clarity, I would say, on the clear, so to say, framework conditions for our business in Q4.

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

Oli Metzger.

Oliver Metzger - *Oddo BHF - Analyst*

Yes, good morning. Thanks for taking my question. It's about the underlying dynamics in Diagnostics. So you already made a comment on the Atellica dynamic. But there are also some other moving parts like the overall demand for the consumables, also the headwind coming from a legacy portfolio shutdown as well as the impact coming from VBP. So it would be great if you can give a little more color about the moving parts. Thank you.

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

Oliver, then let me split the answer into how we also split the business from a business portfolio point of view. So as I said before, two-third of the business is the so-called central lab business. This is where the Atellica transition is happening. We are now at this about 55% or so of revenue, which comes from the Atellica franchise, which is nicely growing above 20%, while the legacy business is going down with a high teens percentage. And that has a bit of a net effect, which means that we have, so to say, two sides of the story.

So a super strong growth engine of a platform, which is absolutely state-of-the-art, comes with the margin profile we need, and is now really where it gets extremely positive feedback by customers, especially after the additional launch of the CI analyzer.

The legacy business is step-by-step going down. That means we, of course, serve the customers who have the instruments in the field and who have existing reagent contracts, but we are very prudent when it comes to when reagent contracts come to an end, where do we do an Atellica migration, where do we prolong contracts, or where is it maybe not -- where does it show that this is maybe not an attractive customer anymore because a lot of his or her volume has moved to one of the consolidators like in the US, quest or so. So here, we are very well on track. We will not see miracles when it comes to the growth rate in the foreseeable, let's say, handful of quarters, because it's always a net effect of Atellica growing very significantly while the legacy business going down.

Then we have the specialty lab solution business, which is about coagulation, mainly plasma proteins, but also allergy nicely growing at good margin rates with potential to further increase growth dynamics and margin profile and a similar story with the smallest of the businesses, the point-of-care business, which is about 15% of the Diagnostics business, and growing in the mid-single digits at good margins with also potential upsides.

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

Robert Davies, Morgan Stanley.

Robert Davies - *Morgan Stanley - Analyst*

Good morning. Thanks for taking my question. My question is around the value partnership from Alberta. Just if you could provide us a bit more color in terms of how big of a contribution that made to the book-to-bill numbers in the quarter. And over the life of the contract, just some sense of when that's the kind of booking schedule on that large contract over time. Thank you.

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

Robert, without Alberta, the book-to-bill ratio on equipment would be also north of 1. So it's a rather healthy quarter also excluding this deal. So we are very happy with what we have seen in the market and our success in the marketplace. I would say, from a distribution over the years, it's an 8-year partnership with significant volume. And to be honest, I don't know that exactly out of my head how that really distributes over the years.

But in general, you see normally in the beginning, a significant portion and then it spreads more over time, because this is the normal distribution of value partnerships. But to be honest, I don't know exactly.

Robert Davies - *Morgan Stanley - Analyst*

Okay. Thank you.

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

Sezgi, HSBC

Sezgi Ozener - *HSBC - Analyst*

Hi, thanks for taking my questions. Just wanted to ask about the pricing dynamics. With tariffs coming in, I was expecting that probably pricing behavior of clients might have changed. So what are you seeing in the pricing of various products? And have you been able to reflect trade tariff surcharges to clients? Or have you been facing tariff surcharges from suppliers?

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

Sezgi, we are still in the early phases of this I think when we have built in, I would say, a cautious approach on pricing as a mitigation for this fiscal year. And I think this is also, I would say, a meaningful way of doing it. But as I mentioned beforehand, when we talked about the range of our guidance outlook, pricing can be a decisive factor also to move upwards in the range at the end of the day. But here, we are also, I would say, we are very mindful about the market behavior, our relationship with customers, because we are very careful in managing this between keeping our share in the market on the one hand, but also defining the right price levels. And you can be rest assured, we managed through similar periods of time driven by other factors, and we will do this smartly again also this time.

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

Ed from RBC.

Ed Ridley-Day - *Reburn Atlantic - Analyst*

Hi, thank you for the question. If we could go back to China, are you seeing any broader change in the market there, particularly related to sort of political retaliation such as rare earth restrictions that they've announced. We've obviously had the antidumping investigation on CT tubes. I presume not much, but I just wanted to check if you have seen any impact from those measures or others?

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

No, Ed, not really. And I mean, it's also that the Chinese government is not interested in, let's say, harming its own health care system. And on the other hand, I mean, they also have an open ear when it comes to the needs of companies with a big local presence like we are. I mean, as you may know, I mean, we have 8,000 employees in China. We have more than 1,000 people in R&D.

We develop and manufacture in China for China. So this is not an area where I see any special retaliations.

And when it comes to bigger topics, I mean, we discussed the topic a little bit when it comes to this aspect of, for example, when this extremely high tariff regime is in place between the US and China and if that has impacts on our sector. Like the combination of volume-based pricing and applying tariffs on the imports is not always very useful. So the government is then also listening and also taking action when it comes to exemptions. So I mean, it's not a great environment, but I don't feel that there is a danger of any retaliation measures, which would have an impact on our business.

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

Falko, Deutsche Bank.

Falko Friedrichs - *Deutsche Bank - Analyst*

Thank you. Good morning. I have a delicate question. One of the main investor concerns that's been shared with us is uncertainty around the strategy of your mother company, the Siemens AG, when it comes to their future thinking about the stake in Healthineers. Is there potentially anything you can share with us as to how potential discussions are going with your mother company, if any? And to what extent that might influence any of your thinking over the next few quarters from an operational sense as well? Thank you.

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

That was the delicate question, okay. So I mean, I start maybe with the second part of the question, which was, does this have any impact on what we do operationally. And here, there is a very, very clear answer, no. And I really want to underline that since our IPO, which is now soon 7 years ago, the topic of how the company is run, how it is run as any other company, and okay, there is a majority shareholder, but it's a shareholder and there is no influence on decision-making and/or different priorities set and so on and so on. And we are in a period, in the beginning, it was an 85% share, then it went down to 75% or so with the dilution, so to say, after the capital increase following the Varian combination.

Now step-by-step, it has come down to more in the 70% range. This is not changing how we do things.

And to the other question, I mean, I can only quote what is public knowledge that I mean that there will be a Capital Markets Day also on the Siemens side end of the year, where they have announced that they will also make statements on the portfolio, also on the future of their investment into Siemens Healthineers. And more I cannot comment on and I also do not know.

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

Thanks Falko. So we have a follow up here from Graham Doyle.

Graham Doyle - *UBS - Analyst*

Hi guys, thanks a lot for the follow up. Just a quick one. Just to clarify something up, and apologies, my line is a bit broken up. Just in terms of the tariff again, so we're talking EUR200 million to EUR300 million exposure this year. And to clarify, you're very comfortable saying, in a conservative scenario, just double that, and then you can hopefully mitigate from that point downwards. Is that the way to read what you said today?

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

I think you summarized it very well. The only addition I would say is that this is from the current viewpoint, under the current assumption set, just to say that. But the conservative scenario is to double the number we gave for this year, for 2026, and when I say conservative, I mean conservative. That means there might be more mitigation opportunity than just doubling the number.

Graham Doyle - *UBS - Analyst*

Perfect, that, that's obviously that's very helpful, super clear. Thanks a lot.

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

So moving on to another follow-up here from Julien Dormois.

Julien Dormois - *Jefferies - Analyst*

Yes. Sorry for stepping up again. That's a very dull but probably very short question. It relates to FX. Obviously, there's been quite a bit of volatility and particularly the weaker US

dollar has had an impact on your profitability in the past few years. So just curious how much you've baked into the full year guide from FX, be it in terms of EBIT impact or in terms of EPS impact for the back half of this fiscal year? Thank you.

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

Julien, when we look at foreign exchange, we always do it in the same manner. So we look at what the current foreign exchange development is, and we put in, so to say, in our outlook the most recent foreign exchange situation. That means for the US dollar, for example, we looked at something between 1.13 and 1.14 for the remainder of the year. And at the beginning of the year, it was more beneficial.

And now this tailwind, which was a bit more pronounced at the beginning of the year, is now much less pronounced, but it's still slightly positive.

Julien Dormois - *Jefferies - Analyst*

Thanks.

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

You. Thanks, Julian. So we wrap it up now with the last caller coming through who didn't get a question yet. That would be Richard from Goldman Sachs.

Richard Felton - *Goldman Sachs - Analyst*

Thank you very much. It's a follow-up on China and specifically around the stimulus funding, which I think you said isn't really driving the market yet. So my question is, what are the obstacles to those stimulus funds starting to find their way to hospitals and drive more activity levels in that market? Thank you.

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

Yes, Richard, I mean, what I said and what we also basically said when entering the year, that there are many, let's say, moving parts or many different forces when looking at the demand curve or the purchasing behavior of Chinese customers, yes. So there is the anticorruption campaign. There is the partial offset of it with the stimulus money. And then the topic certainly of a reality of pent-up demand.

And what we are talking about here is the net effect. So we see the stimulus coming in, not in record speed. But at the same time, as I said, it is not only about the stimulus coming in, but it needs to overcompensate the negative effects of the hesitation, which is still in the market. So what we are talking about is here the net effect and the net effect is that the Chinese market is more or less on the level we have assumed it to be when entering the fiscal year.

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

Good thanks Richard, thanks for all your questions. Thanks for the discipline, especially. I was positively surprised by that in terms of only asking one question. So we will be seeing you on the road in person at conferences in the next few months. And at latest, we'll be looking forward to speaking and hearing from you at our Q3 results coming up in the summer. Okay. Bye-bye. Stay safe and healthy.

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.
