

# Strong underlying performance notwithstanding charges at SGRE

Christian Bruch, President and CEO Siemens Energy

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Analyst presentation Q1 FY23

Munich, February 7, 2023



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# CEO section

Christian Bruch, CEO



# Key Messages

## Highlights / Lowlights

- Strong order and revenue growth and better than expected cash flow
- Underlying profit improvement more than offset by charges at SGRE related to installed fleet
- SGRE EGM approved delisting – integration initiated
- Significant progress on path to our ESG targets (Sustainability Report published)

## Market Environment

- Healthy demand across GS, GT and TI
- Operating environment in wind industry still challenged (shift in boundary conditions, pricing and risk sharing)

## Siemens Energy FY23 Guidance adjusted

- Revenue: 3% to 7% comparable<sup>2</sup> (unchanged)
- Profit margin before SI: 1% to 3%; prev. 2% to 4%,
- Net loss: at prior year's reported level (compared to sharp reduction before)
- Free cash flow pre tax: to be positive; prev. neg. range of low to-mid-triple-digit million

<sup>1</sup> Prior year figures are presented on a comparable basis. Beginning of fiscal year 2023, prior-year figures have been adjusted due to a change in accounting policies regarding derivative financial instruments | <sup>2</sup> comparable: excluding currency translation and portfolio effects  
2023-02-07

## Q1 FY23 Financial Performance

- **Orders: +49.2%** comp.<sup>2</sup> at €12.7bn
- **Order backlog at new high of €98.8bn**
- **Revenue: +16.0%** comp.<sup>2</sup> at €7.1bn; **book-to-bill of 1.80**
- **Profit before SI: neg €282m** (down from neg. €69m<sup>1</sup>)
- **Profit margin before SI: neg. 4.0%** (Q1 FY22: neg. 1.2%<sup>1</sup>)
- **FCF pre tax: neg. €58m** (up from neg. €69m)

# SGRE Update

## Market environment

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## Progress report

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## Mistral program on track

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## Integration

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- Strong long-term prospects for wind but further action is needed to close gap between ambitious government targets and actual installations
- 
- Terms and conditions have been improved on the new order intake
  - Onshore stabilization on track - intake ASP €0.95m/MW (+24% YoY) and €0.88m/MW in LTM (+32% YoY)
  - Service continues to execute but negatively impacted by charges of €472m at EBIT level
- 
- Siemens Gamesa 5.X delivered increasing manufacturing volume and installations with improved project delivery times
  - New organization is operational as of January 2023
  - Progress in the restructuring part: Agreement reached in Spain
- 
- SGRE EGM approved delisting – integration initiated
  - Streamline governance to support greater alignment (functions incl. procurement)
  - One integrated organization with one operating model to realize full synergies

# Q1 FY23 Awards and Milestones

## Power generation with low or zero emissions



Source: BMWK

## Signed agreement to reinforce Iraq's power network with 6GW capacity

The planned projects include constructing and developing power generation facilities for both conventional and renewable energy sources.

## Transport and storage of energy



## World scale order for grid connection at sea by Amprion

Consortium of Siemens Energy and Dragados Offshore will build converter systems for two offshore grid connections in Germany worth a total of more than €4bn including maintenance for ten years.







## Reducing the CO<sub>2</sub> footprint & energy consumption in industrial processes



## Production starts at Haru Oni - milestone in decarbonizing the transportation sector

The capacity will be expanded in two stages to around 55 million litres by 2024 and to around 550 million litres by 2026.

# FY22 – Major progress towards our ESG targets

	Scope 1+2 emissions	Scope 3 downstream emissions	Scope 3 upstream emissions (w/o SGRE)	Share of green electricity	Women in top leadership positions (w/o SGRE)	Total Recordable Injury Rate for employees
<b>Target</b>	Climate neutral by 2030 	28% reduction by 2030 as approved by SBTi 	30% reduction by 2030 	100% by 2023 	25% by 2025 30% by 2030 	Zero harm 
<b>FY 2022</b>	<b>0.22</b> Mt CO <sub>2</sub> e emissions	<b>12%</b> reduction since 2019	<b>11%</b> reduction since 2018	<b>90%</b>	<b>22%</b>	<b>2.17</b>
<b>FY 2021</b>	<b>0.27</b> Mt CO <sub>2</sub> e emissions	<b>9%</b> reduction since 2019	<b>7%</b> reduction since 2018	<b>76%</b>	<b>21%</b>	<b>2.47</b>

# CFO section

Maria Ferraro, CFO



# SGRE EGM Approved Delisting

## Current status

- ~205.5m of shares tendered for SE to own 97.24% of all SGRE shares (as of 31 Jan)
- SGRE EGM approved delisting, standing purchase order scheduled to end on 7 Feb, suspension of trading thereafter
- Total cash consideration until end of Q1: **€3.4bn** (hence **fully reflected in Q1 net debt position**)
- Total cash consideration as of 31 Jan: €3.7bn

## Funding of the transaction

(as per the end of Q1 FY23)

- Mandatory convertible bond: **€960m**
- Bridge facility related to CTO<sup>1</sup>: **€1.3bn**
- Cash: **€1.15bn**

## Funding – next steps

<sup>1</sup> €1.94bn guaranteed bridge facility related to the CTO is in place until Nov 24. Thereof €1.6bn drawn as per the end of Q1 FY23: €1.3bn used for CTO and €300m cash on the balance sheet to be used for further settlements in the standing purchase period (until 7 February).

2023-02-07

- Intention to raise another max €1.5bn to fund up to €2.5bn of the transaction value with equity or equity like instruments
- SE AGM resolution expected to provide authorization for additional 10% capital increase w/o preemptive rights
- Full flexibility regarding timing and structure

## Timeline

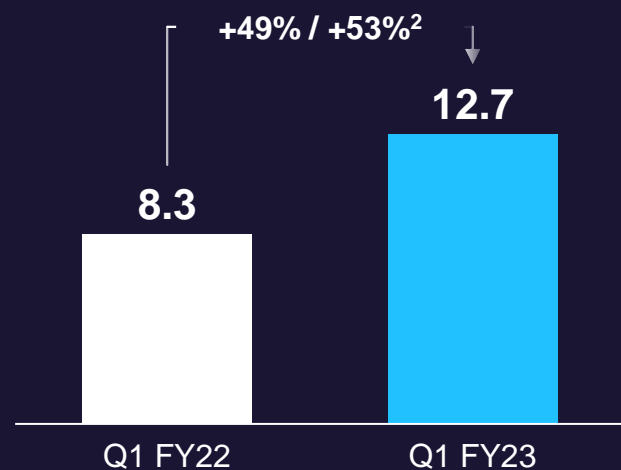


# Siemens Energy Group: Strong Order and Revenue Growth

## Q1 FY23<sup>1</sup>

### Orders

in €bn

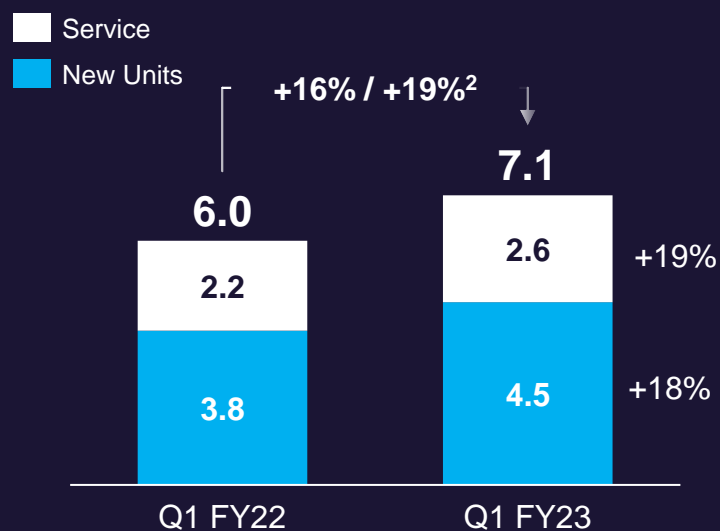


**Order backlog<sup>3</sup> €99bn**

Q4 FY22: €97bn

### Revenue

in €bn

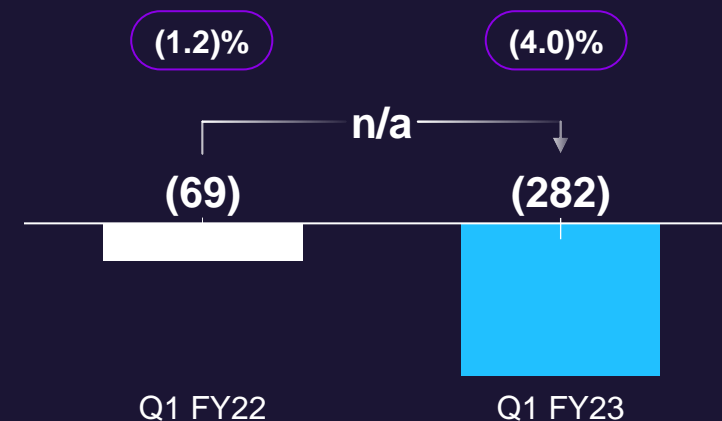


**Book-to-bill Ratio 1.80**

Q1 FY22: 1.40

### Profit before SI

in €m



**Free Cash Flow<sup>3</sup> €(58)m**

Q1 FY22: €(69)m

<sup>1</sup> Prior year figures are presented on a comparable basis. Beginning of fiscal year 2023, prior-year figures have been adjusted due to a change in accounting policies regarding derivative financial instruments | <sup>2</sup> xx%/xx% = comparable (excluding currency translation and portfolio effects) / nominal | <sup>3</sup> As of December 31, 2022 | <sup>4</sup> Free Cash Flow pre tax  
2023-02-07

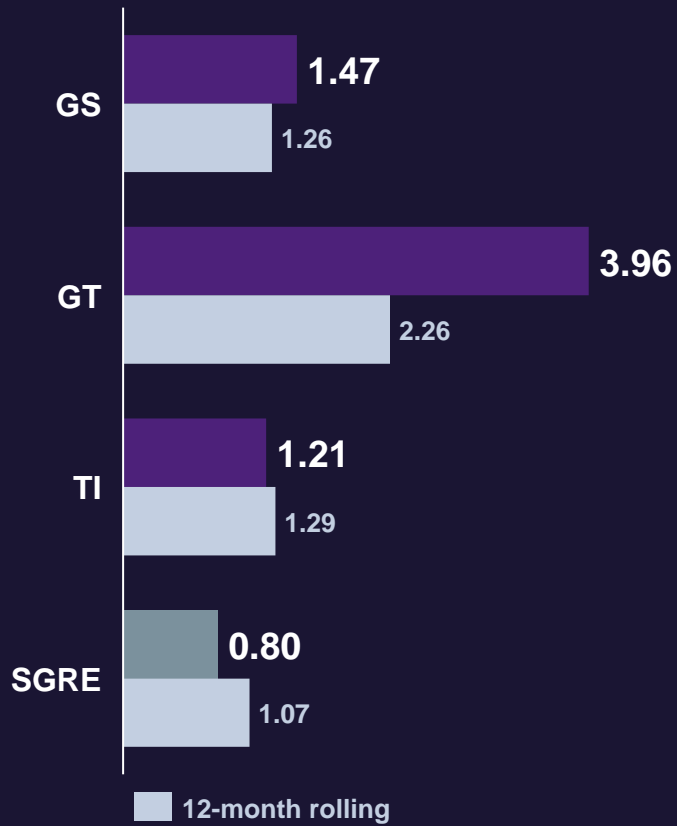
**X.X%** Profit margin before Special Items

Analyst Call | Q1 FY23 10

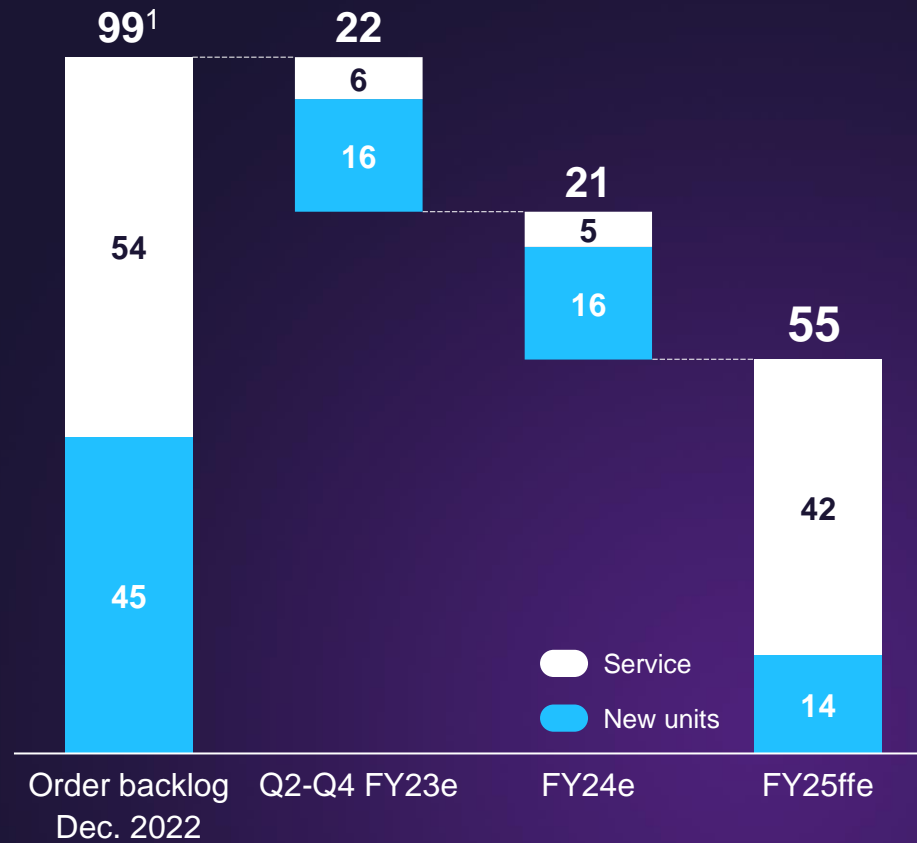
Unrestricted © Siemens Energy, 2023

# Healthy and Resilient Order Backlog

## Book-to-Bill Q1 FY23



## Expected revenue generation from backlog (€bn)

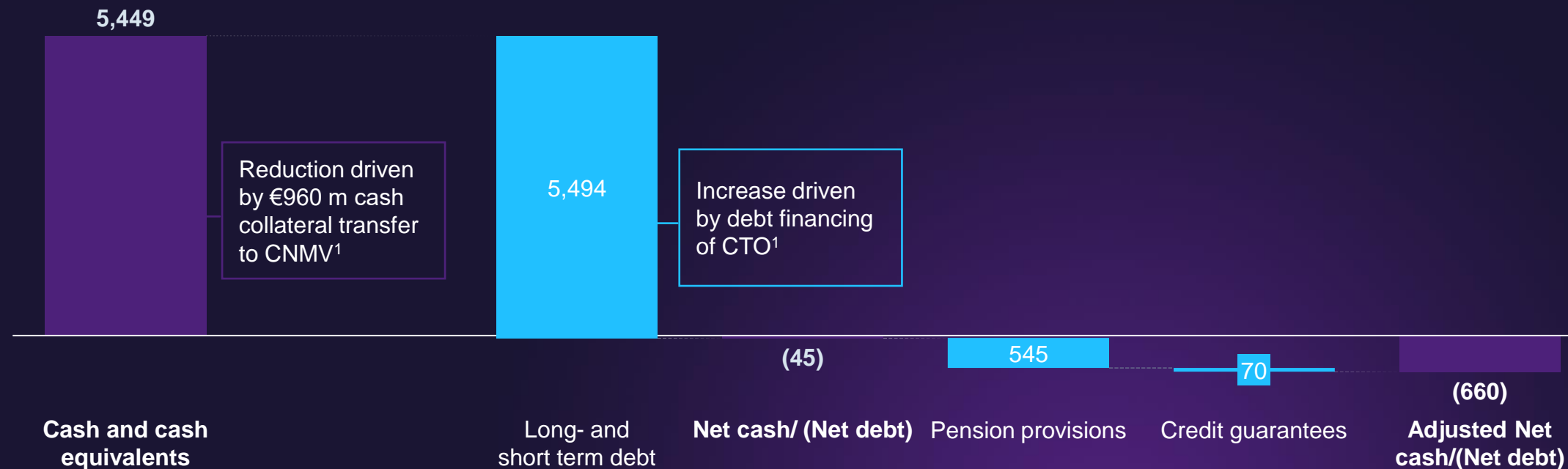


- Healthy order backlog is a source of strength and resilience
- Increase across all businesses over the last 12 months
- Large majority of FY23 revenue already secured in the backlog
- Resilience from long-term service business particular in Gas Services
- Margin profile in the order book continues to support our margin targets
- Backlog covering > 3x annual revenue

<sup>1</sup> plus 13% versus December 2021

# Net Cash Position Decreased Driven by Financing of CTO

Net cash/(Net debt) as of December 31, 2022 (in € m)



<b>SGRE</b> Undrawn credit lines of €2.1bn	<b>Siemens Energy excl. SGRE</b> Undrawn credit lines of €3.0 bn	<b>Siemens Energy</b> <b>€10.6bn</b> liquidity available (€5.4bn cash, €5.1bn undrawn facilities)
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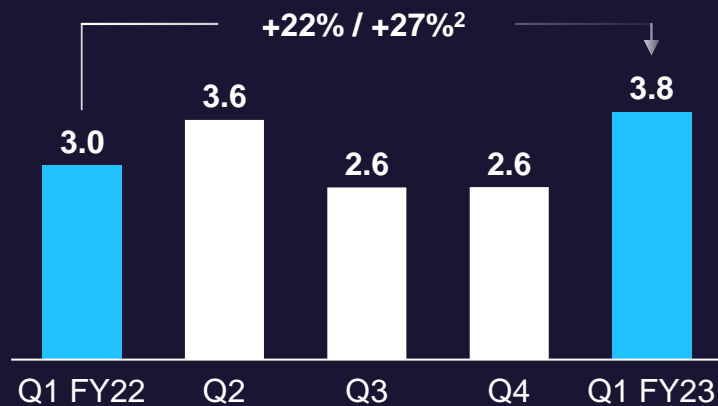
<sup>1</sup> In October FY22 Siemen Energy used the proceeds from the MCB and transferred an additional cash collateral to CNMV (total cash collateral: €2.1bn), reducing the volume of the guaranteed bridge facility to €1.94bn of which €1.6bn are drawn as per the end of Q1 FY23

# Gas Services: Strong Improvement Across all KPIs

## Q1 FY23<sup>1</sup>

### Orders

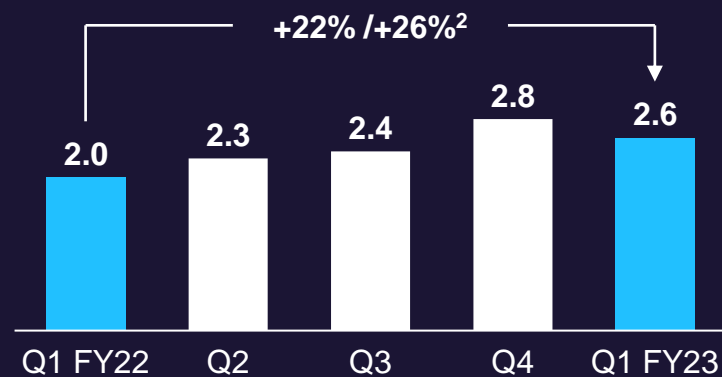
in €bn



- Substantial order growth driven by large orders from the USA and Brazil
- Strong development of service business

### Revenue

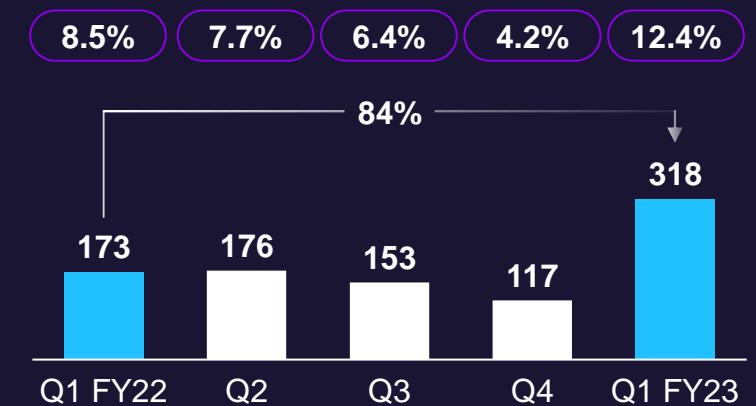
in €bn



- Substantial increase compared to low prior-year base mainly driven by service business

### Profit before SI

in €m



- Sharp increase driven by higher revenue, an improved cost structure, strong execution as well as a higher service contribution

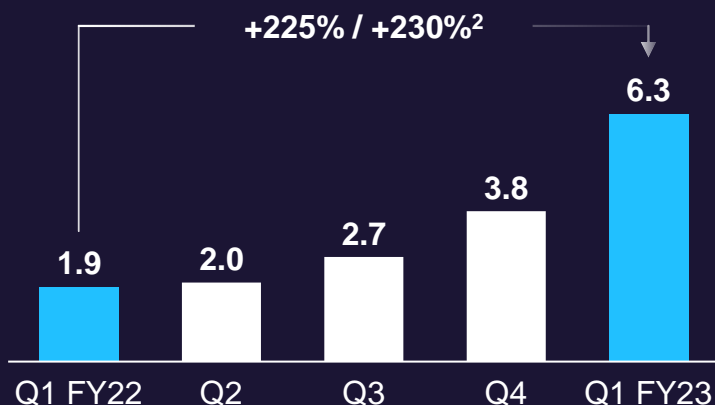
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# Grid Technologies: Outstanding Orders and Margin Rebound

## Q1 FY23<sup>1</sup>

### Orders

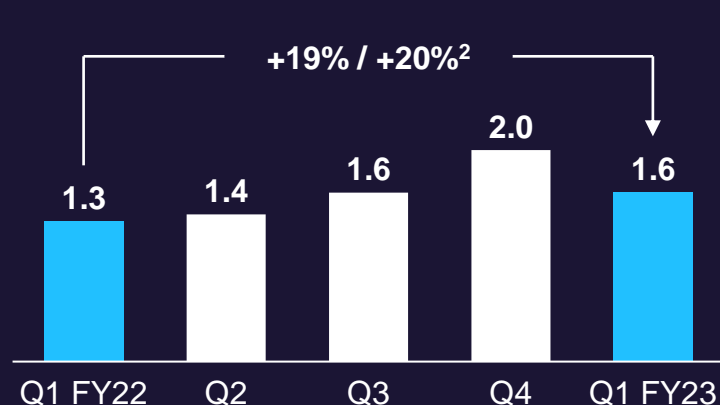
in €bn



- Outstanding order development driven by a large grid connection order in Germany
- Strong markets for GT's product business
- Strong demand in the USA

### Revenue

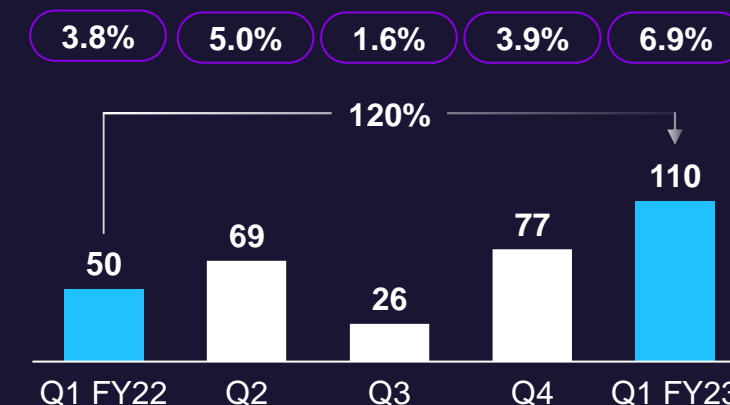
in €bn



- Significant growth based on increases in the product and solution businesses supported by strong order intake in prior fiscal year

### Profit before SI

in €m



- Sharp increase driven by higher revenue
- Prior year quarter was burdened by impacts related to higher material and logistic costs

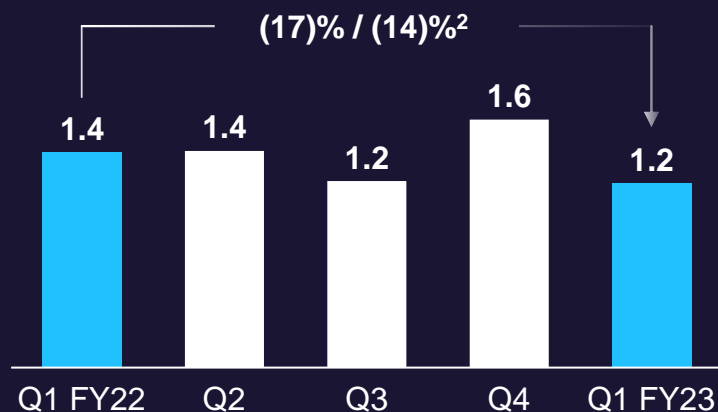
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# Transformation of Industry: Strong Margin Progression Across all Businesses

## Q1 FY23<sup>1</sup>

### Orders

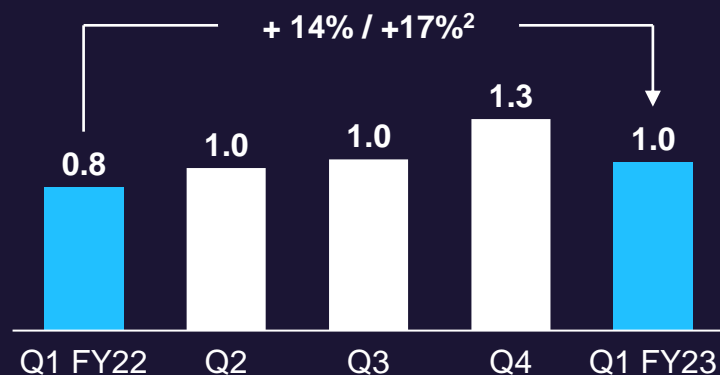
in €bn



- Significant decrease due to a high basis of comparison of the prior year which included a higher volume of large orders, particularly in the Compression business

### Revenue

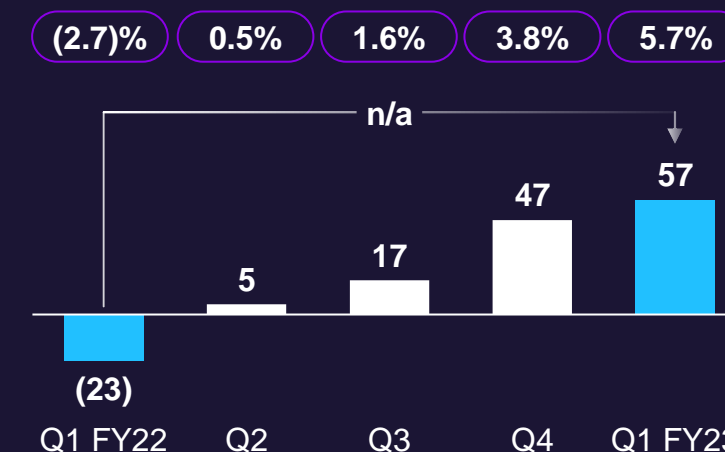
in €bn



- Double digit increase in all four independent businesses
- Strong growth in service business

### Profit before SI

in €m



- Profit before SI turned positive due to higher revenue, improved business mix and operational improvements
- Biggest improvements in Industrial Steam Turbines & Generators and Compression businesses

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# Financial Outlook Adjusted

## Fiscal Year 2023

### Outlook FY23<sup>1</sup>

Siemens Energy

Revenue  
Growth<sup>2</sup>

3 – 7%

Profit<sup>3</sup> Margin  
before SI

1 – 3%  
*(prev. 2 – 4%)*

We expect a **net loss** on prior fiscal year's reported level.

*(prev. sharp reduction compared to FY22)*

We expect **free cash flow** pre-tax to be positive.

*(prev. in a neg. range of low-to-mid-triple digit mio)*

### Business Area Assumptions FY23

Gas Services

0 – 4%

9 – 11%

Grid Technologies

5 – 9%

6 – 8%

Transformation of Industry

5 – 9%

3 – 5%

GP  
6 – 8%

Siemens Gamesa

under evaluation

*(prev. in line with business plan)*

<sup>1</sup> The outlook for Siemens Energy assumes no major negative financial impacts from COVID-19 or other pandemic-related events, no further deterioration in the supply chain and raw material cost environment, and excludes charges related to legal and regulatory matters. | <sup>2</sup> Excluding currency translation and portfolio effects | <sup>3</sup> Profit: Earnings before financial result, income taxes, amortization expenses related to intangible assets acquired in business combinations, and goodwill impairments

# Key Priorities

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1

Deliver on FY23 targets

2

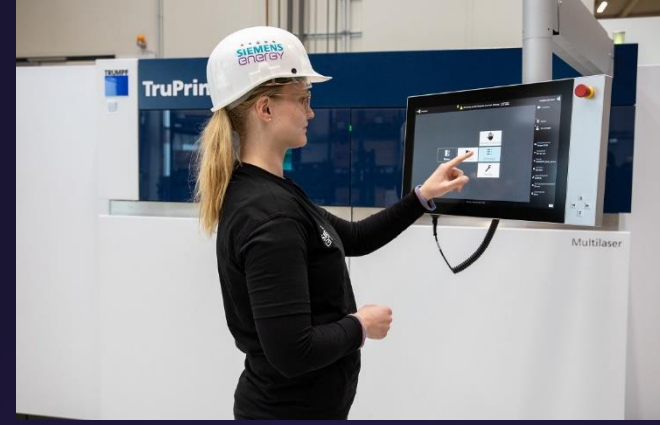
Leverage new operating model

3

SGRE turnaround and integration / alignment

4

Capitalize on market opportunities



# We energize society



# Questions & Answers

Christian Bruch and Maria Ferraro



# Financial Calendar



## 2023

Feb 7

May 15

Aug 7

Nov 15



Q1 FY23 & AGM

Q2 FY23

Q3 FY23

Q4 FY23

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# Appendix

# Net Income Transition

In €m	Siemens Energy	
	Q1 FY22	Q1 FY23
Gas Service	207	318
Grid Technologies	45	98
Transformation of Industry	(24)	52
SGRE	(320)	(823)
<i>Reconciliation to Siemens Energy</i>	29	(30)
<b>Profit</b>	<b>(64)</b>	<b>(384)</b>
<i>Profit margin</i>	<i>(1.1)%</i>	<i>(5.4)%</i>
Amortization of intangible assets acquired in business combinations and goodwill impairments	(96)	(96)
Financial result	(19)	(30)
<b>Income before income taxes</b>	<b>(179)</b>	<b>(510)</b>
Income tax (expenses/gains)	(67)	(88)
<b>Net income</b>	<b>(246)</b>	<b>(598)</b>
Attributable to		
Non-controlling interests	(115)	(125)
Shareholders of Siemens Energy AG	(131)	(473)

Note: Prior year figures are presented on a comparable basis. Beginning of fiscal year 2023, prior-year figures have been adjusted due to a change in accounting policies regarding derivative financial instruments

# Cash Flow Statement

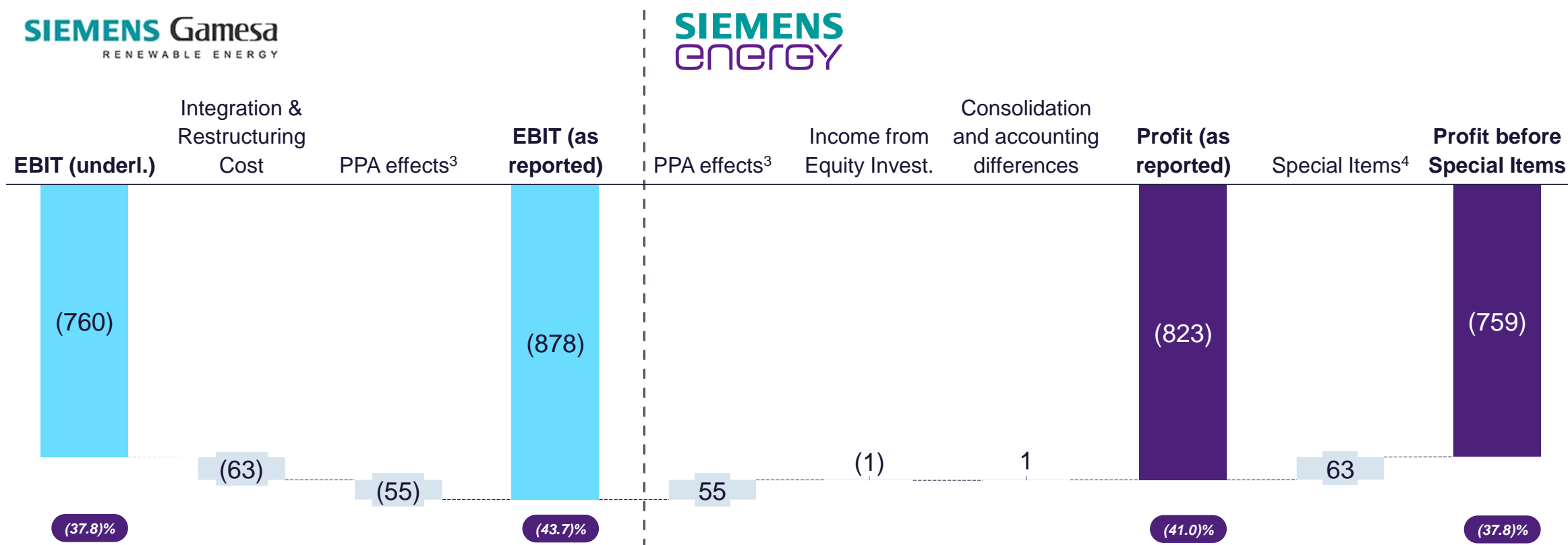
In €m	Siemens Energy	
	Q1 FY22	Q1 FY23
<b>Net income</b>	<b>(246)</b>	<b>(598)</b>
Amortization, depreciation and impairments	335	359
Change in operating net working capital		
Contract assets	267	(92)
Inventories	(744)	(824)
Trade receivables	(5)	(454)
Trade payables	(280)	(54)
Contract liabilities	905	1,483
Others	(205)	298
<b>Cash flow from operating activities</b>	<b>27</b>	<b>118</b>
Additions to intangible assets and property, plant and equipment	(174)	(233)
<b>Free cash flow</b>	<b>(148)</b>	<b>(115)</b>
Income taxes paid	79	58
<b>Free Cash Flow pre tax</b>	<b>(69)</b>	<b>(58)</b>
thereof Gas Services	592	359
thereof Grid Technologies	136	361
thereof Transformation of Industry	(6)	(59)
thereof SGRE	(796)	(610)

Note: Prior year figures are presented on a comparable basis. Beginning of fiscal year 2023, prior-year figures have been adjusted due to a change in accounting policies regarding derivative financial instruments

# Profit Bridge from SGRE to SE disclosure

## Q1 FY23

### Profit Bridge from SGRE<sup>1</sup> to SE<sup>2</sup> disclosure (in €m)



1 Disclosure (as of February 2, 2023) | 2 Disclosure (as of February 7, 2022) | 3 PPA = Amortization of intangible assets acquired in business combinations and goodwill impairments

4 Equals integration and restructuring cost as reported by SGRE

# Historical comparable key figures

## FY22 retrospective adjustments – Revenue

	Q1 FY22	Q1 FY22 adj. <sup>1</sup>	Q2 FY22	Q2 FY22 adj. <sup>1</sup>	Q3 FY22	Q3 FY22 adj. <sup>1</sup>	Q4 FY22	Q4 FY22 adj. <sup>1</sup>	FY22	FY22 adj. <sup>1</sup>
<b>Revenue (in €m)</b>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>
<b>Gas Services</b>	<b>2,037</b>	<b>2,037</b>	<b>2,281</b>	<b>2,282</b>	<b>2,375</b>	<b>2,376</b>	<b>2,801</b>	<b>2,805</b>	<b>9,493</b>	<b>9,499</b>
<b>Grid Technologies</b>	<b>1,323</b>	<b>1,323</b>	<b>1,385</b>	<b>1,385</b>	<b>1,589</b>	<b>1,588</b>	<b>1,989</b>	<b>1,989</b>	<b>6,285</b>	<b>6,285</b>
<b>Transformation of Industry</b>	<b>849</b>	<b>849</b>	<b>964</b>	<b>964</b>	<b>1,014</b>	<b>1,014</b>	<b>1,252</b>	<b>1,254</b>	<b>4,078</b>	<b>4,080</b>
therein										
Sustainable Energy Systems	9	9	14	14	12	12	18	18	52	52
Electrification, Automation, Digitalization	229	229	248	248	257	257	326	326	1,060	1,060
Industrial Steam Turbines & Generators	280	280	314	312	334	334	382	382	1,310	1,310
Compression	337	337	397	398	420	420	551	553	1,705	1,707
<b>SGRE</b>	<b>1,829</b>	<b>1,829</b>	<b>2,177</b>	<b>2,177</b>	<b>2,436</b>	<b>2,436</b>	<b>3,372</b>	<b>3,372</b>	<b>9,814</b>	<b>9,814</b>
Reconciliation to Consolidated Financial Statements	(81)	(81)	(224)	(224)	(134)	(134)	(233)	(233)	(672)	(672)
<b>Siemens Energy</b>	<b>5,956</b>	<b>5,956</b>	<b>6,582</b>	<b>6,583</b>	<b>7,279</b>	<b>7,280</b>	<b>9,180</b>	<b>9,186</b>	<b>28,997</b>	<b>29,005</b>

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# Historical comparable key figures

## FY22 retrospective adjustments – Profit before Special Items

	Q1 FY22	Q1 FY22 adj. <sup>1</sup>	Q2 FY22	Q2 FY22 adj. <sup>1</sup>	Q3 FY22	Q3 FY22 adj. <sup>1</sup>	Q4 FY22	Q4 FY22 adj. <sup>1</sup>	FY22	FY22 adj. <sup>1</sup>
<b>Profit before Special Items (in €m)</b>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>
<b>Gas Services</b>	178	173	182	176	182	153	138	117	680	619
<b>Grid Technologies</b>	50	50	69	69	29	26	79	77	227	221
<b>Transformation of Industry</b>	(22)	(23)	5	5	21	17	51	47	56	45
therein										
Sustainable Energy Systems	(11)	(11)	(12)	(12)	(13)	(13)	(22)	(22)	(59)	(59)
Electrification, Automation, Digitalization	1	1	6	6	(1)	(1)	26	26	32	32
Industrial Steam Turbines & Generators	2	1	12	12	30	28	24	22	67	63
Compression	(14)	(15)	0	(1)	7	4	24	22	17	11
<b>SGRE</b>	<b>(308)</b>	<b>(309)</b>	<b>(300)</b>	<b>(299)</b>	<b>(339)</b>	<b>(343)</b>	<b>379</b>	<b>375</b>	<b>(568)</b>	<b>(576)</b>
Reconciliation to Consolidated Financial Statements	40	40	2	2	(35)	(35)	(51)	(51)	(44)	(44)
<b>Siemens Energy</b>	<b>(62)</b>	<b>(69)</b>	<b>(41)</b>	<b>(47)</b>	<b>(143)</b>	<b>(183)</b>	<b>596</b>	<b>564</b>	<b>350</b>	<b>265</b>

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# Historical comparable key figures

## FY22 retrospective adjustments – Net income (loss)

	Q1 FY22	Q1 FY22 adj. <sup>1</sup>	Q2 FY22	Q2 FY22 adj. <sup>1</sup>	Q3 FY22	Q3 FY22 adj. <sup>1</sup>	Q4 FY22	Q4 FY22 adj. <sup>1</sup>	FY22	FY22 adj. <sup>1</sup>
<b>Net income (in €m)</b>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>		adj. <sup>1</sup>
<b>Siemens Energy before Special Items</b>	<b>(62)</b>	<b>(69)</b>	<b>(41)</b>	<b>(47)</b>	<b>(143)</b>	<b>(183)</b>	<b>596</b>	<b>564</b>	<b>350</b>	<b>265</b>
Special Items	6	6	(56)	(56)	(298)	(298)	(106)	(106)	(453)	(453)
<b>Siemens Energy Profit</b>	<b>(56)</b>	<b>(64)</b>	<b>(97)</b>	<b>(103)</b>	<b>(441)</b>	<b>(481)</b>	<b>490</b>	<b>459</b>	<b>(103)</b>	<b>(188)</b>
Amortization of intangible assets required in business combinations and goodwill impairments	(96)	(96)	(96)	(96)	(96)	(96)	(98)	(98)	(386)	(386)
Financial results	(19)	(19)	2	2	5	5	(17)	(17)	(29)	(29)
<b>Income (loss) before income taxes</b>	<b>(171)</b>	<b>(179)</b>	<b>(192)</b>	<b>(197)</b>	<b>(532)</b>	<b>(572)</b>	<b>375</b>	<b>344</b>	<b>(518)</b>	<b>(603)</b>
Income tax (expenses) benefits	(69)	(67)	(60)	(59)	(1)	8	2	10	(128)	(108)
<b>Net income (loss)</b>	<b>(240)</b>	<b>(246)</b>	<b>(252)</b>	<b>(256)</b>	<b>(533)</b>	<b>(564)</b>	<b>378</b>	<b>354</b>	<b>(647)</b>	<b>(712)</b>

<sup>1</sup> Prior year figures are presented on a comparable basis. Beginning of fiscal year 2023, prior-year figures have been adjusted due to a change in accounting policies regarding derivative financial instruments. Respective FX Embedded Derivatives (ED) have been derecognized P&L neutral.