Capital Market Day 2020

CEO Section

Christian Bruch, President and CEO of Siemens Energy



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Our six levers to deliver shareholder value

1. Leader in energy industry
2. Spin-off allows for a step change in operational performance
3. Leading portfolio in the industry
4. Service business as a core value driver
5. Developing future portfolio with focus on sustainability and service
6. More EBITA and more cash

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Our Management Team
What we stand for



Christian Bruch
CEO

Passion for transformation



Maria Ferraro
CFO

Clear focus on EBITA & Cash



Jochen Eickholt
Member of the Executive Board

Better performance through Operational Excellence



Tim Holt
Member of the Executive Board

Service and digitalization as value drivers

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1

Who we are

2

Where we compete

3

How we deliver

4

Why we are the right investment

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Globalization

Demographic change

Urbanization

Climate change

Digitalization

are drastically changing
our environment.

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At the same time, we expect a …

>50% increase in global electricity generation by 2040

And still …

850 million people
are living without access to electricity

Source: IEA WEO 2019 Stated Policies Scenario | www.iea.org/world

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How can we meet the growing demand for electricity while protecting our climate?

This is where we come in.

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Our purpose and mission



We energize society

by supporting our customers in transitioning to a more sustainable world, based on our innovative technologies and our ability to turn ideas into reality.

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We are a world leader in energy

Present in
>90 countries

~1/6
of global electricity generation based on our technology

>50%
decarbonized portfolio

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Who we are
The leading pureplay energy company

Our offering

Products
Solutions
Services

Along the value chain

Generation
Transmission
Storage

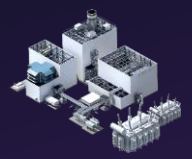
Broad technology portfolio

From
Conventional
to Renewables

Siemens Energy AG

Gas and Power (“GP”)

Generation



Central | **Distributed**

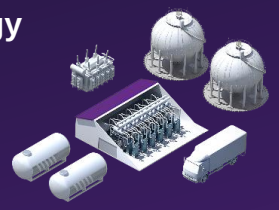
Industrial Applications



Transmission



New Energy



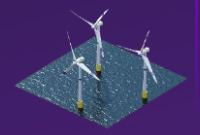
Siemens Gamesa Renewable Energy (“SGRE”)

67% owned

Onshore



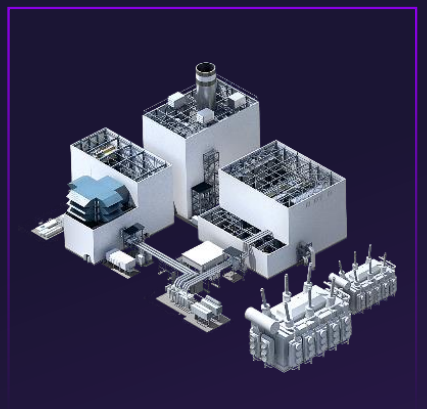
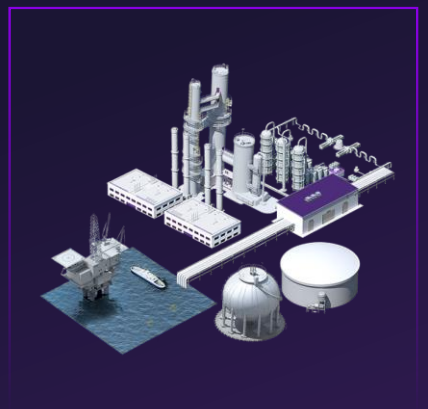
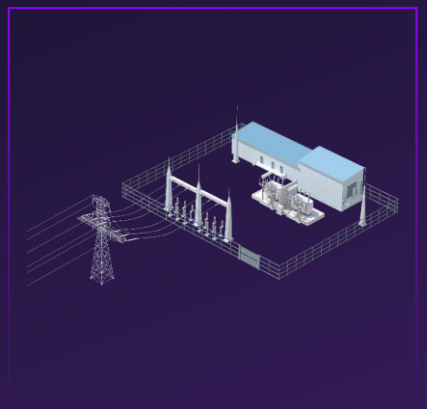
Offshore



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Who we are

Our innovative products support customers in transitioning to a more sustainable world

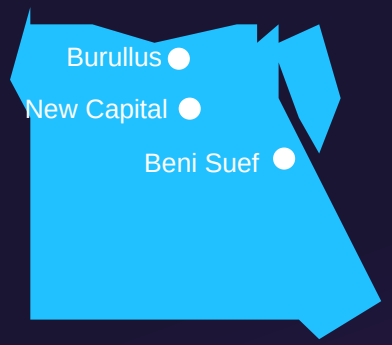
Generation	Industrial Applications	Transmission	SGRE	New Energy Business
				
NET ZERO through hybrid power plants	**up to 60%** H_2 capable gas turbine portfolio[1]	**SF_6-FREE** portfolio that is market-leading	**>260 Mt** GHG savings p.a. to customers	**100% H_2** Enabling hydrogen economy

1 Up to 60 vol.% dry low emission H_2 capability for SGT-600

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Who we are
Our solution competence helps to transform societies

Egypt



40 m
people

- **>$1 bn** annual cost savings
- **3 power plants** gas-fired, combined cycle
- **6 gas-insulated substations**
- Local **service and training center**

Iraq



38 m
people

- **11 GW** being added to national grid
- **13 substations** and **35 power transformers**
- **500 MW gas-fired power plant**

Bolivia



11 m
people

- **>1 GW** added to local grid
- 23 SGT-800 **gas turbines** and 11 SST-400 **steam turbines**
- **25 transformers**
- Local **service and training center**

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Who we are
Our market-leading services are the core for future value creation

Gas and Power

€35 bn
service order backlog

€7.9 bn[2]
service revenue

>90 k[3]
service-relevant installed fleet

Share of divisional total revenue[1]. Mid-term growth trend.



SGRE

€12 bn
service order backlog

€1.6 bn
service revenue

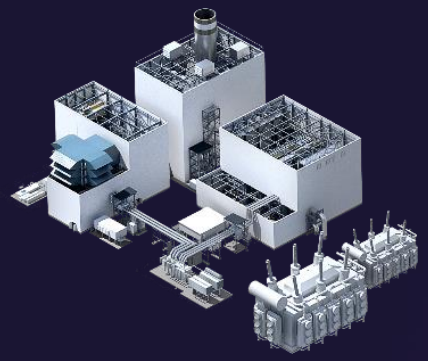
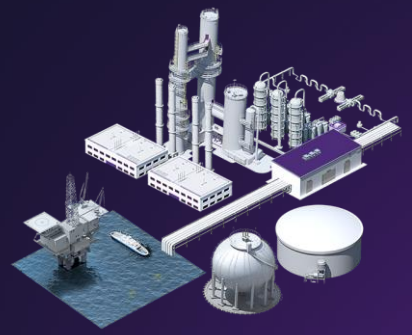
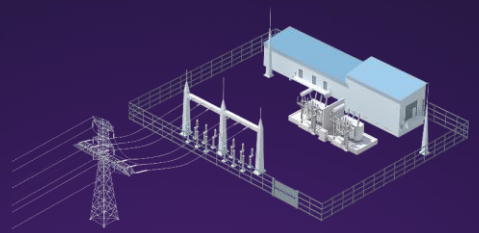
>100 GW[3]
installed base

All figures FY19, if not otherwise stated

1 Service share calculated as division's service revenue divided by division's total revenue before intra-group consolidation and reconciliation
2 €(0.3) bn reconciliation of divisional revenues to Gas & Power | **3** As of June 30, 2020

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Who we are
We lead the market across all our businesses

	Generation	Industrial Applications[3]	Transmission	SGRE
				
Market position[1]	**#2** | **#1**	**#2**	**#1**	**#3** | **#1**
	Central[2] Distributed[2]			Onshore[4] Offshore[4]

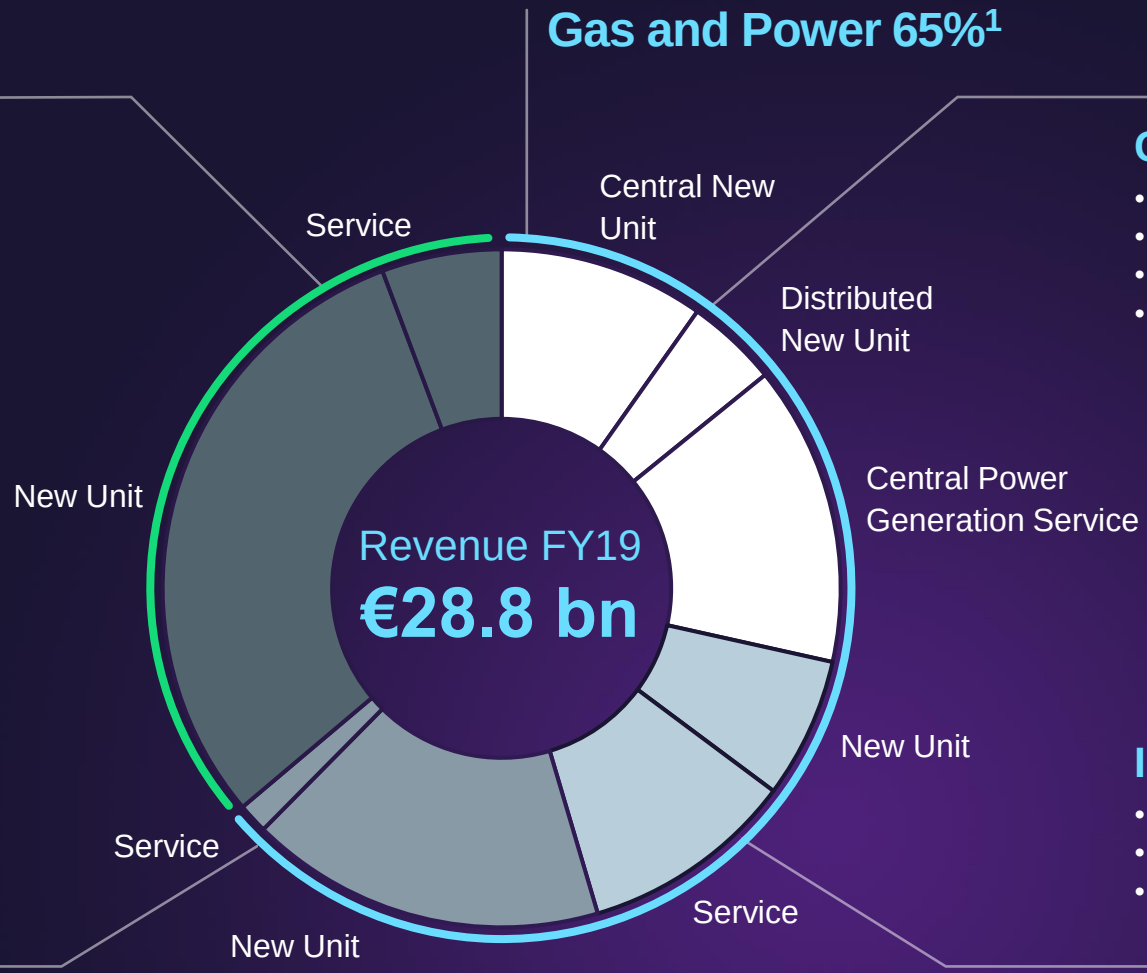
1 For Gas and Power based on Siemens Energy internal market assessment for FY2019 in addressed markets | **2** Market position in terms of number of units ordered for large gas turbines (central) and industrial gas turbines (distributed); industrial steam turbines in terms of order intake in € (distributed). Distributed relates to gas turbines <100 MW and steam turbines <250 MW | **3** Based on market value for new equipment in addressed markets | **4** Based on Wood Mackenzie (“Global Wind Turbine OEM 2019 Market Share”). Onshore position excluding China. Market positions for wind turbine suppliers are based on installed (China) and grid-connected (all other countries) new wind capacity for calendar year 2019

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Who we are
A strong portfolio in energy technology with a clear plan for each division

SGRE 35%[1]
- Turn-around onshore
- Capture offshore growth and service opportunity
- Realize synergies with Siemens Energy

Transmission
- Benefit from infrastructure change due to energy transformation
- Continue in HVDC projects
- Increase new product development



Generation[2]
- Reduce structures and costs
- Selectivity and NCC reduction
- Central: Harvest service
- Distributed: Deliver profitable growth

Industrial Applications
- Reduce structures and costs
- Selectivity and NCC reduction
- Harvest service

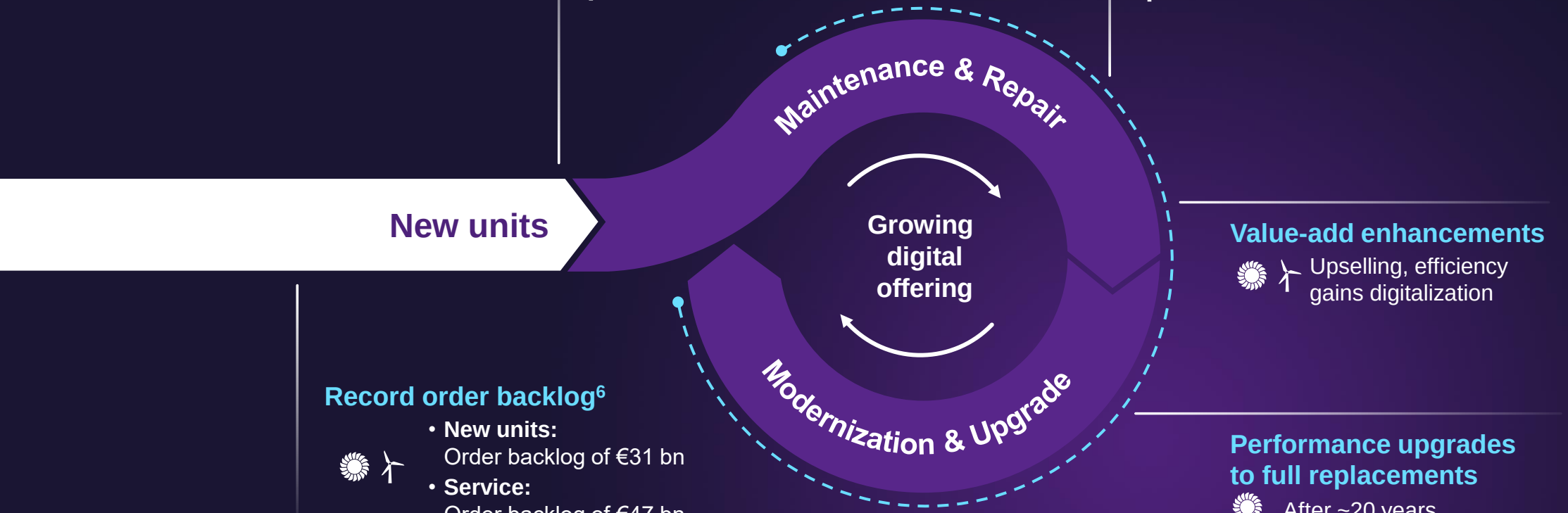
1 Based on total segments revenue | **2** Revenue shares: Central New Unit 10%, Distributed New Unit 4%, Central Power Generation Service 14% based on total revenue splits calculated before intra-group consolidation and reconciliation effects

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Who we are
Products and solutions drive our highly resilient service business

High conversion rates[1]
- High efficiency LGTs[2]: **Close to 100%**
- Lower efficiency LGTs[2]: **60 -70%[3]**
- **~60%[4]**

Long-dated contracts
- ~12 years for Long-term service programs[5]
- ~80% retention
- ~9 years



Value-add enhancements
Upselling, efficiency gains digitalization

Record order backlog[6]
- **New units:** Order backlog of €31 bn
- **Service:** Order backlog of €47 bn

Performance upgrades to full replacements
After ~20 years

1 Percentage of new unit projects sold together with service agreements | **2** Turbine classes: High efficiency (HL, H, SGT-800), lower efficiency (F, E) | **3** Renewal rate: 60% (estimate), target of 70% by 2020 | **4** Represents capture rate of own fleet (serviced fleet compared to total installations) | **5** Does not include re-negotiations | **6** Based on FY19

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1

Who we are

2

Where we compete

3

How we deliver

4

Why we are the right investment

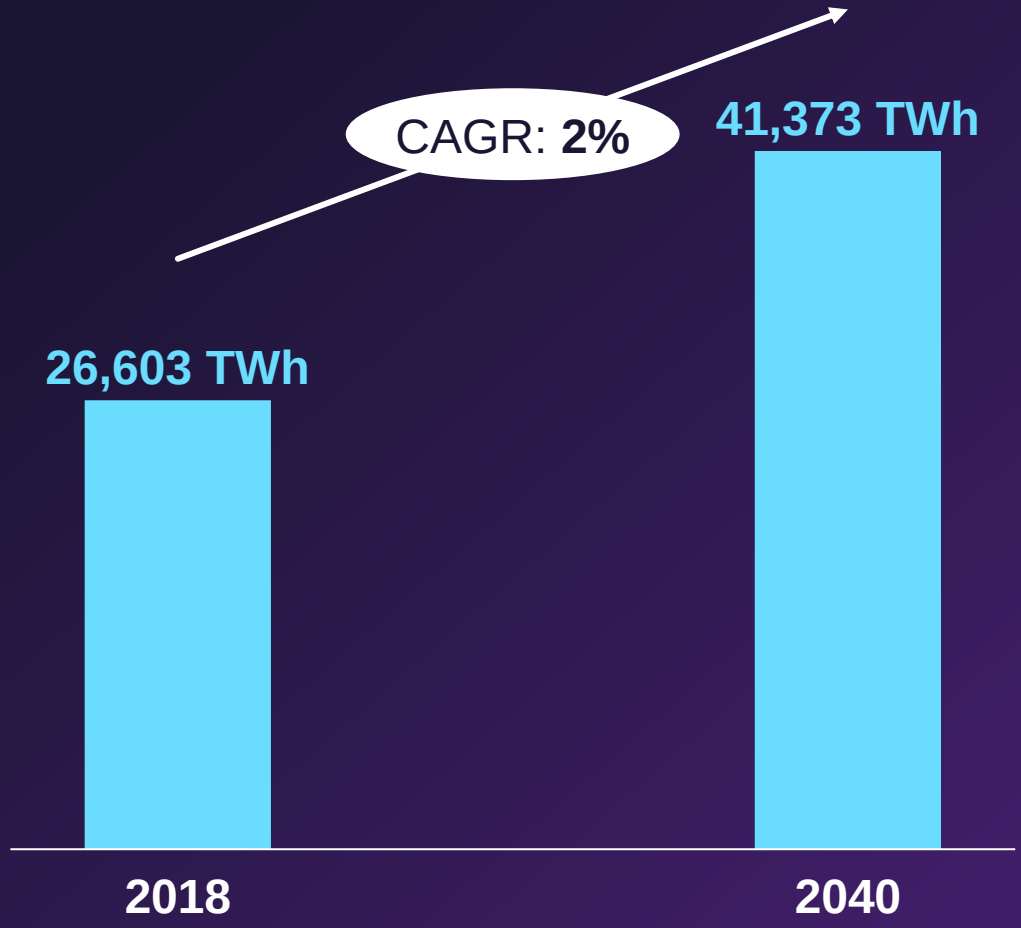
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Where we compete
The world needs more electricity

Growing electricity market (in TWh)[1]

- Increasing electrification of industries[2]
- 850 million people globally without access to electricity
- New electrical consumers (data centers, e-mobility)



1 Source: IEA (Stated Policies Scenario)
2 Relates to electricity generation

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Where we compete
The energy market is in the process of transformation

Shift of re-source base[1]

2018-2040

↑	→	↓
Wind	Gas	Coal
Solar	Nuclear	Oil
	Hydro	

Our expectations

- Growing share of renewables
- Gas remains a key enabler in the energy market, increasing decentralization
- Reduction in coal

1 Source: IEA WEO 2019 Stated Policies Scenario; shift of resource base related to electricity generation

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1

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2

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3

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How we deliver

Our company program Energy of Tomorrow
Improving existing business and driving transformation



Accelerating Impact

- **Focus and deliver on the fundamentals**
- **Co-create** innovations **with customers and partners**
- **Starting** the **energy transformation**

Leading the energy transformation

- **Most valued energy technology** company
- **Electrifying** countries and communities
- Act as **data-driven company**

Now — 2023 — 2025 — 2030

Powered by
our people and our values

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CEO focus

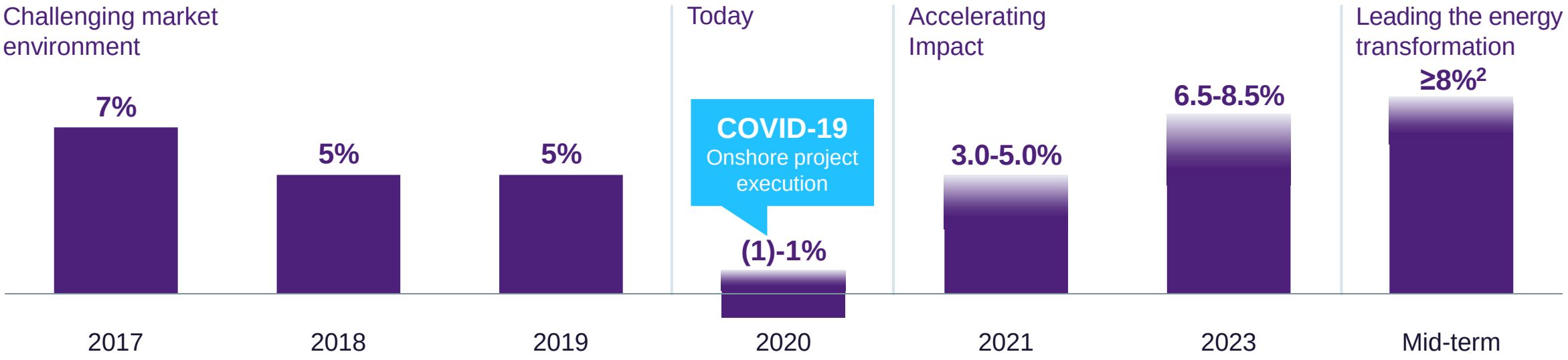
Performance	Rigorously following up on operational performance
Organization	Clear accountabilities, lean structures, right people at right place
Portfolio	Make hard choices on underperforming portfolio elements
Innovation	Clear R&D allocation towards tangible returns and longer-term potentials
Customers	Customer focus (“walk the talk”), co-creating projects and solutions

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How we deliver

We strengthen our operational performance through a more competitive organization

Margin development (Adj. EBITA margin before Special Items)[1]



Drive EBITA and cash focus

- Resize footprint and portfolio
- Reduction of non-conformance cost
- Improve gross margins in project business
- Build capabilities in best-cost countries

1 Siemens Energy **| 2** Adj. EBITA margin not adjusted for Special Items

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How we deliver

New company programs launched at Gas and Power and SGRE to accelerate profit improvements

Gas and Power — Annual gross cost savings by FY23 — **SGRE**

PG2020 and GP2020+[1] | Accelerating Impact | LEAP

Realized savings

~€500 m ✓

Offset by lower business volume

Savings to come

>€500 m

Full impact on bottom line

>€300 m

Focus on implementation

Already identified

- Reshaping footprint
- Portfolio streamlining
- Project excellence
- Supply chain excellence

€1 bn target as per CMD 2019

Innovation

Productivity and Asset Management

Operational Excellence

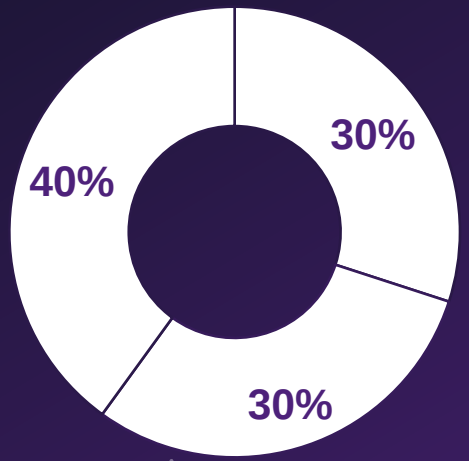
1 PG2020 and GP2020+ as presented at Siemens CMD May 2019

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How we deliver
We implement an incentive system geared to shareholder value

Executive Board compensation

Long-term variable
(Stock awards, 4-year vesting)
- 40% Total shareholder return
- 40% EPS
- 20% ESG criteria



Base
(Cash)

Short-term variable
(Cash)
- 1/3 Adj. EBITA margin
- 1/3 ROCE
- 1/3 Individual targets (e.g., cash/non-financial targets)

Ownership Culture

Executive Board
to hold 200% resp. 300% of base pay as stock

Whole organization
Company wide incentive program linked to share price performance

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How we deliver
Digitalization as a value driver

New digital revenue

New Growth

- **Software as a service** (recurring revenue model)
- **Asset agnostic offering**
- Example: Omnivise offering, e.g., Cybersecurity



Increasing the value of our offering

Enrich Offerings

- Combining **domain expertise** with **digital expertise**
- **Differentiating** our offering
- Example: Remote Services



Internal digitalization

Transform the Core

- **Automation of processes**
- Strengthen **digital backbone**
- Example: Digitalized outage processes



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How we deliver

Active portfolio management

Ongoing review of portfolio elements with focus on market outlook and profitability

Example

Aeroderivative Gas Turbines

- Streamlining offering[1]
- Service of installed base will continue

Further portfolio shift towards sustainability and value assessment

Example

Coal

- Currently reviewing options to exit from coal business
- Keeping to our customer commitments
- Will continue to provide services to existing plants to reduce CO_2 footprint

1 We no longer actively market our larger sized Aeroderivative Gas Turbines

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How we deliver
Driving R&D with focus on tangible returns and longer-term potentials

Key facts[1]

€1 bn
R&D spend

~5,000
R&D employees

~24,200
single patents and utility models

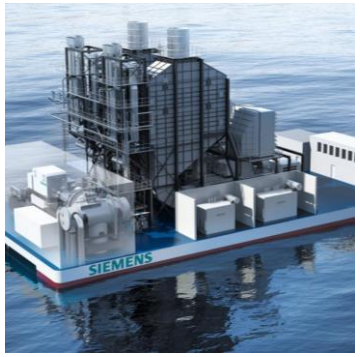
Future R&D strategy

Strict capital return criteria for allocation

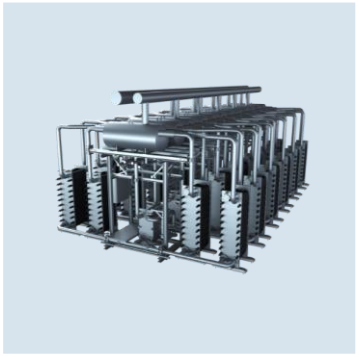
Focus areas: Service and sustainability

Co-creation and partnering in innovation

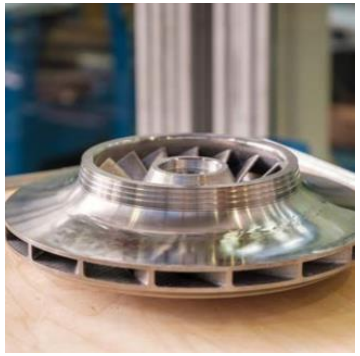
Selected R&D examples



~145 MW of floating power to Dominican Republic



Electrolyzer: >75% system efficiency



Additive Manufactu-ring drives productivity



SensPro-ducts™: IoT connected grid

1 R&D spend and employees as of FY19; number of single patents and utility models as of June 30, 2020

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How we deliver
Adding value to customers by combining offers across our divisions

Combine turbine competence with green hydrogen innovation

Uniper | Customer need:
Decarbonize existing assets



- Upgrading gas turbines for hydrogen co-firing with integrated storage
- “Brownfield transformation” projects to decarbonize power plants

“Climate-friendly gas will be a major step towards successful energy system transformation.”
CEO Andreas Schierenbeck

Oil & Gas industry knowledge leveraged with transmission leadership

Equinor | Customer need:
Reduce CO_2 footprint in oil production



- Cutting carbon emissions by electrifying O&G processes
- Developing cost-effective “power-from-shore” solutions with grid stability

Contribution to reduce emissions equivalent to emissions of 130,000 cars

Unique offshore capability in transmission and wind

EnBW | Customer need: Cost efficient implementation of high efficiency equipment



- Combined delivery of offshore transformer modules (OTM) and wind turbines
- Implement OTMs that are small & lightweight for single pile installation

>30% weight and size reduction vs. conventional AC substations

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How we deliver

SGRE is core element for Siemens Energy to support customers on their journey to energy transition

2004
Acquisition of Bonus Energy

2017
Siemens Gamesa Merger

2020
Acquisition of 8.1% stake for 67% ownership

#1
in offshore[1]

22%
market growth in offshore (CAGR 2019-2025)[2]

Synergistic relationship

- **Procurement pooling**
- **Go-to market synergies**
  Key account management and regional support
- **Strategic collaboration and combined offerings**
  Transmission, Service Business, Hydrogen, Storage, etc.

1 Source: Wood Mackenzie, "Global Wind Turbine OEM 2019 Market Share", for calendar year 2019 based on new installed capacity | **2** Source: Wood Mackenzie, "Global Wind Power Market Update: Q2 2020", based on annual capacity additions (in GW)

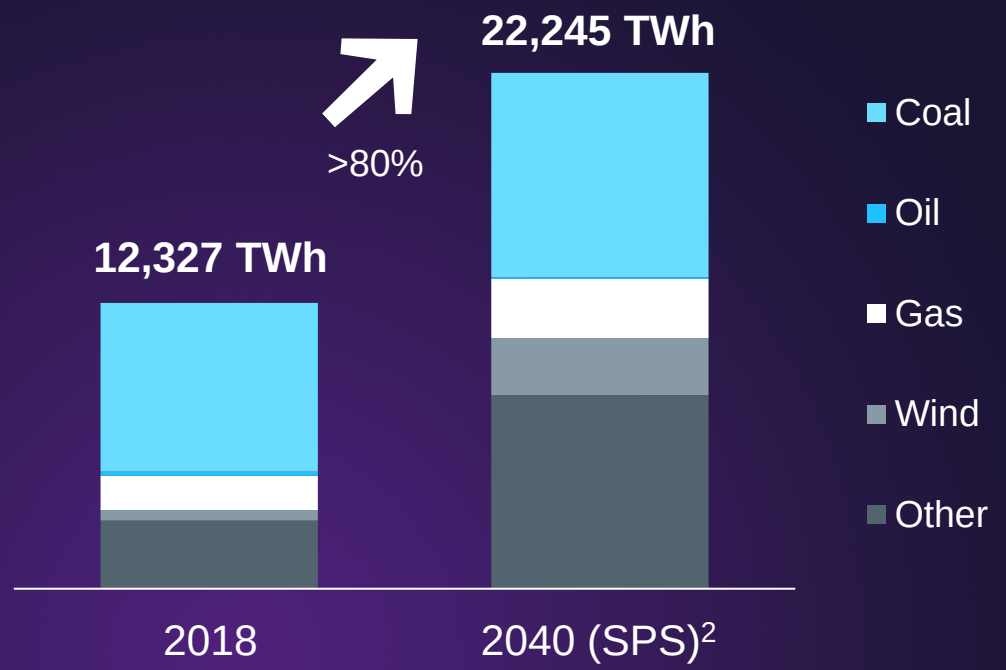
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How we deliver
Seizing opportunities in growth regions

Example: **Asia Pacific**[1]



- **Nuclear/coal to gas shift**
  Opportunities for highly efficient gas turbines (e.g. HL class in South Korea)
- **Grid development**
  Partner of choice for transmission system development (e.g. UHVDC in China)
- **Growing share of wind**
  Utilization of full potential as leading global OEM (e.g. Taiwan and Australia)
- **Industrial growth**
  Strong position in decentral power generation and grid connection
- **Technology partnership**
  For large gas turbines (UGTC in China)



1 Incl. China, IEA | **2** Source: IEA WEO 2019 Stated Policies Scenario; chart related to electricity generation

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How we deliver
Sustainability will be at the core of our actions

Our mission

Supporting our customers in transitioning to a more sustainable world, based on our innovative technologies and our ability to turn ideas into reality

Management commitment

Climate neutral	in own operations by 2030
Green electricity	100% of own power consumption by 2023
Gender diversity	25% by 2025 | 30% by 2030 (females in management level 1 and 2)
Safety leader	leading safety performance in our industry

Committed to UN SDGs



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How we deliver

We drive operational excellence to become leaner, faster and sharper in achieving our results

Gas and Power examples

	Today[1]	Future
Share of revenue from service	42%	↗
Share of revenue from Asia, Australia	18%	↗
# of manufacturing sites[2]	75	↘
Best-cost country share in workforce	<25%	↗
R&D centers[2]/locations	15/>90	↘
Publicly funded projects with customer co-development	<5%	↗

1 As of FY19 | **2** >50 employees

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1

Who we are

2

Where we compete

3

How we deliver

4

Why we are the right investment

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Our six levers to deliver shareholder value

1. Leader in energy industry
2. Spin-off allows for a step change in operational performance
3. Leading portfolio in the industry
4. Service business as a core value driver
5. Developing future portfolio with focus on sustainability and service
6. More EBITA and more cash

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We are #TeamPurple #WeEnergizeSociety

