

Siemens Energy Capital Market Day 2022

Siemens Gamesa Renewable Energy
Dr. Jochen Eickholt, CEO

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Note on alternative performance measures (APMs)

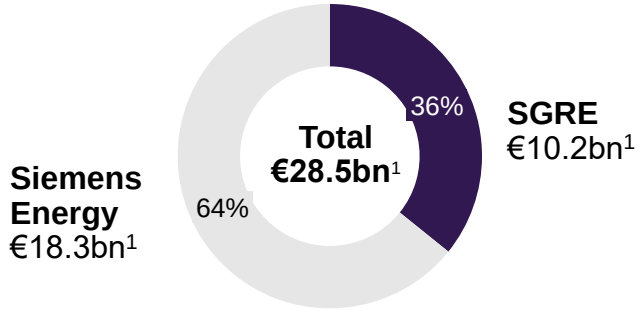
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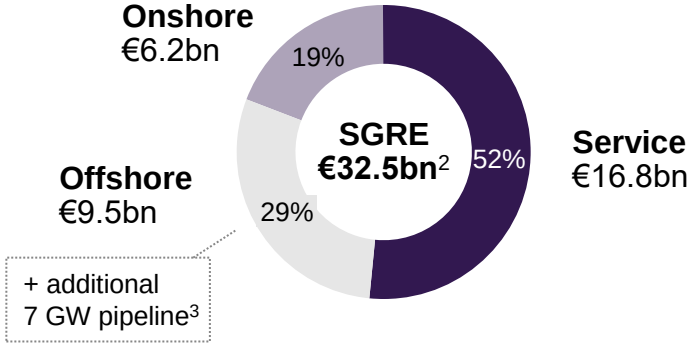
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SGRE in figures

SGRE revenues (as % of Siemens Energy)



SGRE order book



SGRE by the numbers

€12.2bn
Order entry[1]

€10.2bn
Revenue[1]

118 GW installed[2]
in **~80** countries,
79 GW under service

~26,000
Employees[2]

True **global**, modern and scalable **footprint**

Over 1,500
Direct Drive offshore turbines installed

170 m
Rotor diameter in Onshore market

Top **ESG** ratings

1 FY21 | **2** As of end of FY21 | **3** Pipeline of preferred supply agreements and conditional orders that are not part of SGRE's Offshore backlog

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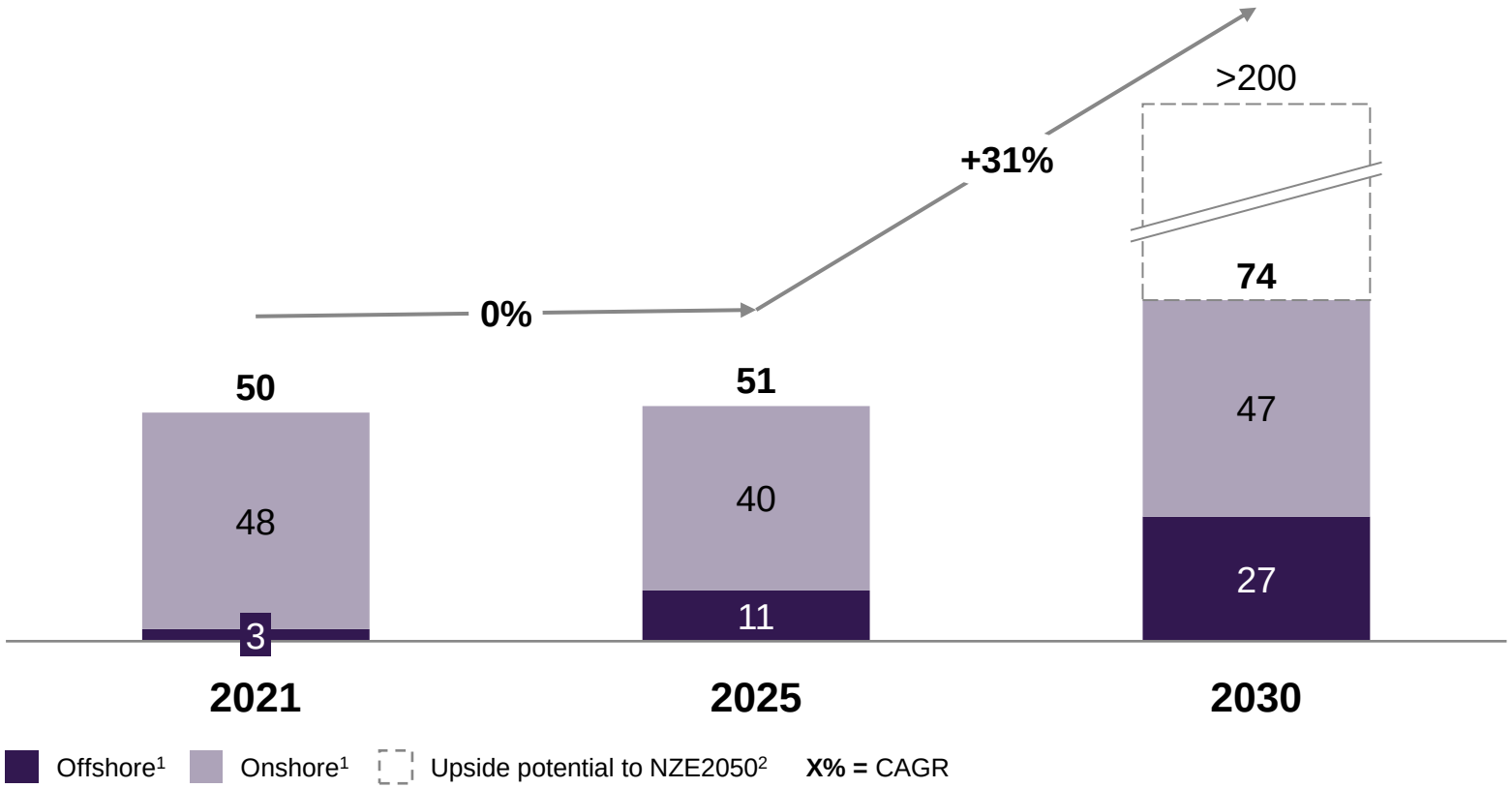
Mistral:
The way ahead

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Energy transition supporting strong growth potential, especially in second half of the decade

Global wind installations (GW, excl. China)



1 BloombergNEF, 2H 2021 Global Wind Market Outlook; excl. China | **2** IEA, Net Zero Emissions by 2050 Scenario (2021)
Note: Total sum may differ due to rounding

Recent push for **energy independence has further increased renewable targets in Europe**

Two phases foreseen

Near-term: Limited growth in new unit market

Long-term: Strong growth, driven by overall economy decarbonization potential

Stable and conducive policies needed to materialize growth potential

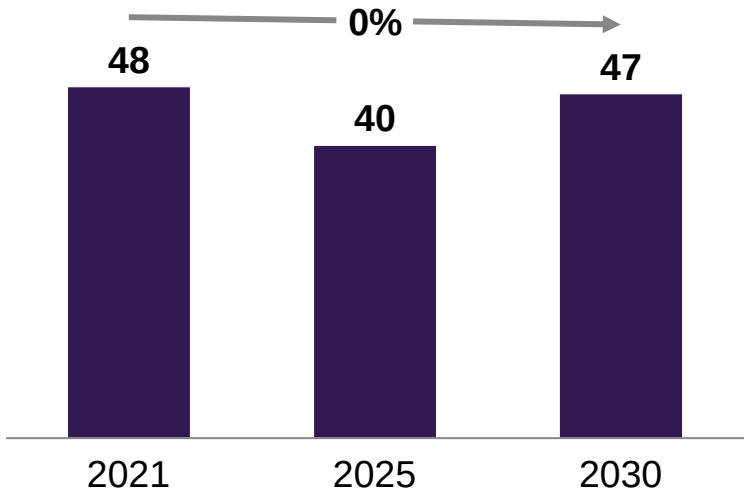
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Onshore market providing scale, while Offshore and Service offering growth potential

Onshore[1]

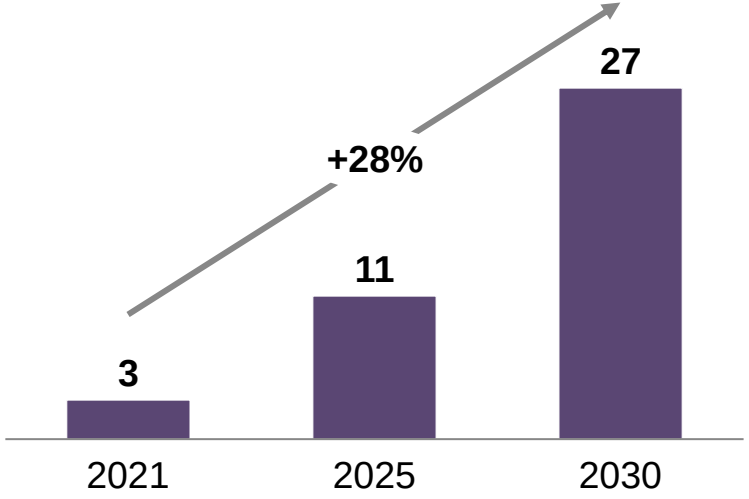
Annual installations (GW, excl. China)



Solid and stable outlook, with large volume throughout the period

Offshore[1]

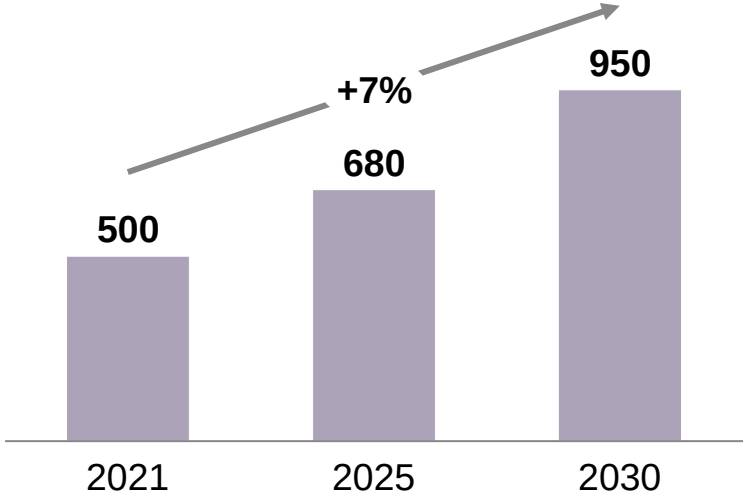
Annual installations (GW, excl. China)



Strong growth potential, accelerating in second half of the decade

Service[2]

Cumulative installed capacity (GW, excl. China)



Large and growing installed fleet providing attractive Service opportunities

Note: X% = CAGR
1 BloombergNEF, 2H 2021 Global Wind Market Outlook; excl. China (2030 excl. upside potential to NZE2050)
2 BloombergNEF, Wind Cumulative Installed Capacity and Forecast by Country (2022); excl. China

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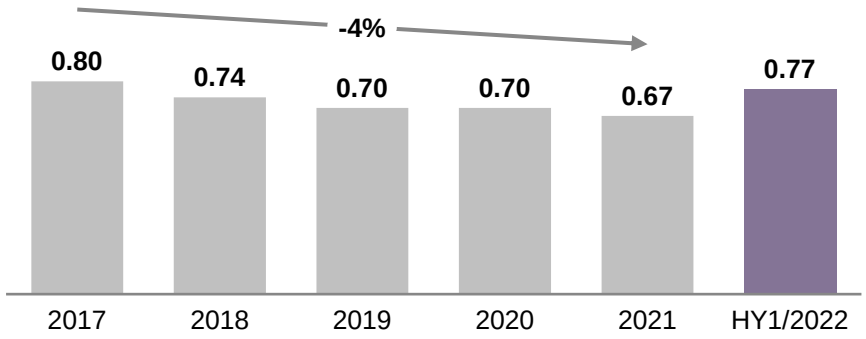
External challenges: All OEMs facing price and cost pressure in the last years …

Price

Strong competition leading to historical price erosion

Strong price reduction in 2016/17 after introduction of auctions and **further ASP dilution (2018+)** driven by introduction of larger platform; **since 2022 increase of ASP**

SGRE Onshore order intake average selling price[1] (€m/MW)



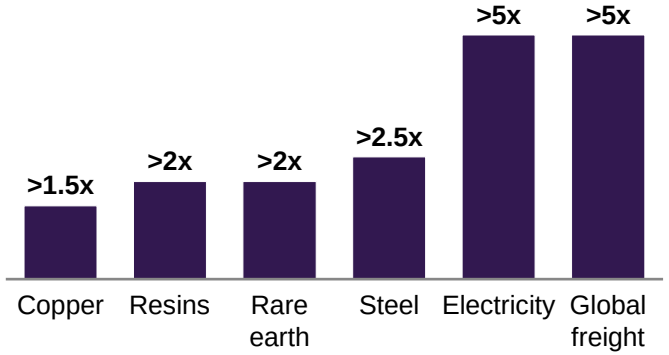
Costs

Unprecedented increase in commodity prices and supply chain disruptions

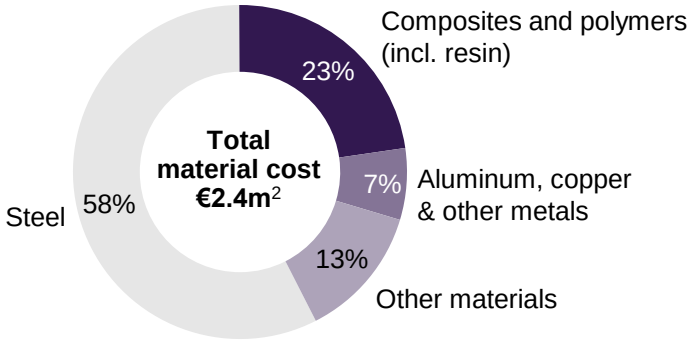
Raw material **prices at significantly higher levels compared to pre-pandemic** period

Covid-19 triggered **disruptions in global supply chains and logistics**, impacting project delivery timelines and commitments

Commodity prices (Jan 2020 vs. Mar 2022)



Turbine cost distribution by materials (4.X MW WTG)[2]



Impact of industry headwinds further exacerbated by recent geopolitical trade tensions

Note: ASP = Average selling price | **1** Reported selling price data from SGRE | **2** Wood Mackenzie, Global Wind Turbine Supply Chain Trends 2021; excl. value add over various supply chain layers

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… expected to be mitigated deploying different collaboration mechanisms with customers and suppliers

Key levers

Short-term effect

Mid- to long-term effect

Suppliers	SGRE	Customers
• **Financial hedging** of key commodities • Agreements with **Siemens Energy,** e.g., bundling of transportation • **Long-term supply** agreements • Collaboration in **product development** • Product portfolio **standardization**		• **Pass-through of raw materials** price increases for new contracts • **Back-to-back** commercial agreements • **Cost indexation or escalation** in new customer contracts • **Strategic agreements** and partnerships around future projects

Overall goal to increase SGRE profit pool to ensure sustainable growth

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Internal challenges: Main root causes for underperformance identified …

Root causes detected …



- **Delays in Siemens Gamesa 5.X product development process, not adhering to early milestones**, resulting in delayed product availability, quality problems and additional unplanned costs
- **Significant business complexity:** Broad product portfolio, still limited degree of standardization and modularization
- **High production costs**, partially driven by low utilization of existing manufacturing capacities
- **Complexity of IT system/ tools transformation**

… and solid foundation available



- **Very strong market prospects**, recent geopolitical events further accelerating decarbonization process
- **Growing service business**
- **Price increase & risk sharing to customers**; trend ongoing from all OEMs to ensure sustainability
- **Competitive product portfolio in OF and ON** (including Siemens Gamesa 5.X reliable platform with global reach)
- **Highly talented and committed organization**

Note: OF = Offshore; ON = Onshore

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… and several actions already ongoing to address them and stabilize the situation

Short-term task forces



- **Dedicated task forces launched** with exclusive focus on mitigating ongoing challenges: Siemens Gamesa 5.X, supply chain
- Cross-functional set-ups to ensure holistic approach to problem solving; **best-in-class talent mobilized**

Commercial discipline



- **Selectivity**: Enforced selective bidding and further cost volatility risk protection clauses implemented in contracts
- **Reinforced new project approval process** with stringent profitability thresholds
- **Cross-functional organizational improvements** leading to better pricing and T&Cs

Control over processes and focus on priorities



- Continuous **development** of a more **simplified and leaner workflows as well as processes**
- **Strict adherence to business processes**
- **Increased focus** from organization **on key priorities**

Complexity of internal issues together with unstable market environment reduces visibility on when headwinds will be mitigated

Note: T&Cs = Terms and Conditions

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Mistral program to be launched as vehicle to achieve long-term vision

Strong contribution from LEAP…

- **Significant productivity measures achieved**
- **Key actions implemented**, e.g.,
  - Manufacturing capacity consolidated in EMEA
  - Senvion assets acquisition
  - India turnaround completed

… providing the foundation to launch Mistral

- Program approach adjusted to **face recent industry challenges**
- **Immediate focus** on mitigating short-term headwinds: Siemens Gamesa 5.X and supply chain
- **Key levers** identified to achieve margin expansion by mid-term
- **Transformational measures** to be explored, in order to unlock full potential of SGRE
  - **Portfolio review**, including alternative solutions for certain non-core activities
  - **One SGRE technology harmonization** (e.g., blades, drivetrain, electrical systems)
  - **Footprint review**

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SGRE expanding profitability by 2025, before acceleration of market growth

Short-term
(FY22-23)

Mitigate ongoing headwinds/challenges

Mid-term
(FY25)

Turnaround Onshore
Selectivity, product and operational excellence

Invest in Offshore growth
New product & footprint backed-up by customers

Enhance Service
Protect and grow the core while investing in new value-added solutions

Long-term
(>FY25)

Unlock full potential of one SGRE

Mistral program to be launched, as vehicle to achieve SGRE long-term vision

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Onshore

Selectivity, product and operational excellence

Selectivity



- **Focused go-to-market** strategy: Winning better business
- **Price discipline and risk sharing** with customers

Product



- **Streamlined, reliable** and **cost competitive** product
- **SG 5.X** platform technology **increasing global reach**
- **LCoE market leader**, through modular portfolio

Operational excellence



- **Complexity reduction** across value chain
- Relentless focus on execution **to minimize NCC**
- **Optimization of footprint**

Onshore turnaround as the key to unlock long-term value creation at SGRE

Note: LCoE = Levelized Cost of Energy; NCC = Non-Conformance Costs

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Offshore

Capture market growth through leading product and footprint expansion

Market growth



- **Maintain market leadership,** capturing strong growth foreseen in Europe, and in new US and APAC markets
- Prepare for **future markets** (e.g., floating wind)
- Develop **hydrogen solutions**, leveraging partnership with Siemens Energy

Product



- **Evolutionary product development** delivering AEP upsides with reduced risk and time-to-market
- **Technological innovation as key to fight price pressure**

Footprint expansion



- **Leverage existing manufacturing footprint**
- **Continue footprint optimization to enable growth**, with clear link to customer demand and supplier partnerships

Offshore is the highest growth segment, and SGRE is the market leader

Note: AEP = Annual energy productions

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Service

Protect and grow the core while exploring new business models

Maximize the core



- **Leverage scale and know-how** in wind farm operations & maintenance
- Expand **aftermarket business** (e.g., spare parts, repairs, value-added services)
- **Capitalize on increased requirements** for technical sophistication

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Selective growth in Multibrand



- **Selective** profitable growth
- Leverage SGRE multibrand experience (Siemens, Gamesa, Adwen, Senvion) to develop **technology-agnostic preventative maintenance concepts**

New business models



- **Advanced solutions** for **integration and optimization of renewable assets** (e.g., wind in conjunction with storage, solar PV, hydrogen, grid technologies)
- Utilize digital capabilities for **optimization of asset returns through smart operations** (e.g., revenue-based availability)

Service offers attractive growth and is a key profit driver for SGRE

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Conclusion

Very challenging market conditions affecting the **short-term**

Structural growth in long-term driven by energy transition

SGRE organization **determined to turn the company around**

Immediate focus on mitigating short-term headwinds, achieve margin expansion by mid-term and unlock SGRE full potential in the long run through “Mistral” program

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Appendix

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Onshore | Fact sheet SG 5.X

Main data	SG 6.6-155	SG 6.6-170
Wind class	IIA, IIB (medium & high winds)	IIIA, IIIB (low & medium winds)
Nominal power	6.6 MW (flexible rating)	6.6 MW (flexible rating)
Rotor diameter	155 m	170 m
Blade length	76 m	83.3 m
Swept area	18,869 m²	22,698 m²
Towers & hub height	102.5-165 m & site specific	110.5-165 m & site specific
Power regulation	Pitch-regulated, variable speed	Pitch-regulated, variable speed



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Offshore | Fact sheet SG 14-236 DD

Main data	SG 14-236 DD
Wind class	I, S (high winds and special class)
Nominal power	14 MW
Rotor diameter	236 m
Blade length	115 m
Swept area	43,500 m^2
Hub height	Site specific
Power regulation	Pitch-regulated, variable speed



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Thank you!

Dr. Jochen Eickholt

CEO

UNHCR ACNUR
La Agencia de la ONU para los Refugiados

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