

Capital Market Day 2022

CEO Section

Dr. Christian Bruch

Chief Executive Officer and President



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Our vision

To become the most valued energy technology company in the world

Key messages

Since the start of Siemens Energy in 2020 we have made substantial operational improvements & portfolio changes

The electricity and energy market is under significant change and will receive substantial investment over the next decades

Siemens Energy is excellent positioned to benefit from these investments

We focus on 5 key levers to create value for our stakeholders

Driving sustainability across our own portfolio and operations will drive profitable growth

Since 2020 we have executed on Phase 1 of our strategy



Improved market position

- Market share gas turbines from 35% to 44%¹
- #1 market position in HVDC²
- 26% order backlog growth in Industrial Applications³



Healthy order backlog⁴

- €57bn in Gas and Power
- €33bn in SGRE
thereof
- €52bn in Service



Operational improvement

- Footprint optimization (e.g. LeHavre, Olean)
- Cost saving programs fully on track
- Base productivity of around 5% in FY21



Sustainable portfolio

- Plan for significant shift of R&D towards 5 Fields of Actions in execution
- Electrolyzer / Blue portfolio lead factories in Berlin
- Strong ESG Ratings

¹ Market position in terms of number of units ordered for gas turbines >10MW in FY20 vs. H1 FY22 | ² FY22 position as per current estimation | ³ FY20 vs. H1 FY22 | ⁴ As of H1 FY22

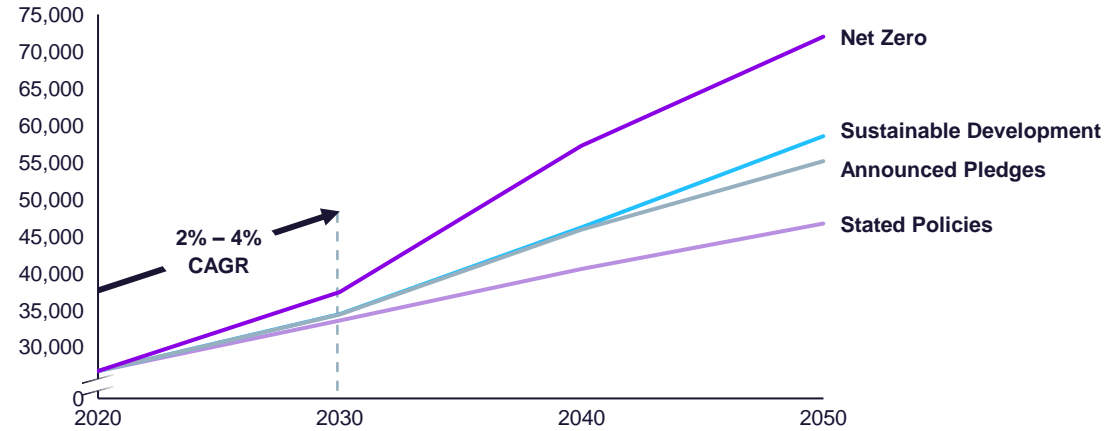


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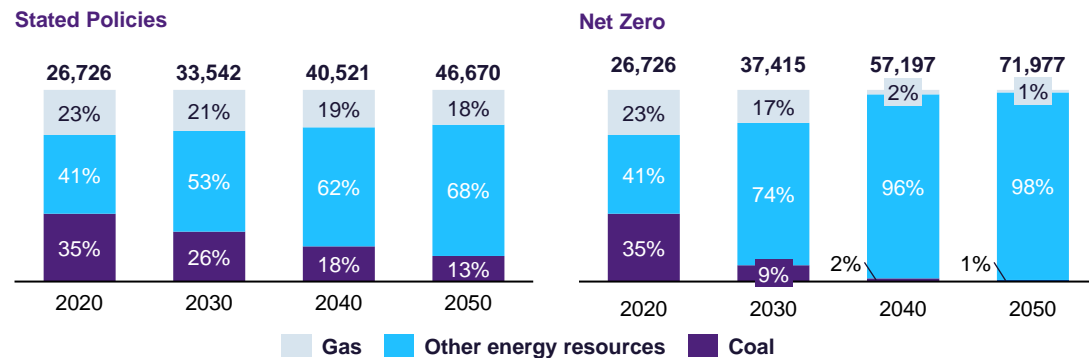
Changing environment

There are multiple scenarios how the electricity market will develop...

Global electricity generation scenarios (TWh)



Global electricity generation by source (TWh)¹



Source: IEA WEO 2021

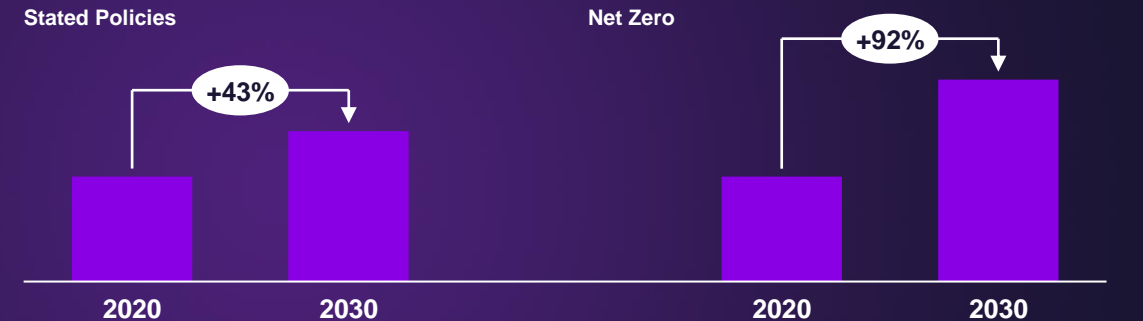
¹ Other energy includes: Hydro, Nuclear, Geothermal, Oil, Hydrogen based, Bioenergy

2022-05-24

Massive growth in renewables installations

Scenario	Renewables (Wind & Solar)	Other
Stated Policies	+120%	+240%
Announced Pledges	+160%	+315%
Sustainable Development	+220%	+385%
Net Zero	+420%	+570%

Electricity production capacity to grow continuously until 2030



... but all of them have common themes

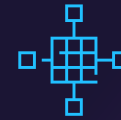


Electricity production will grow faster than GDP



Production capacity will grow

- Capacity expansion will be covered by renewables
- Gas will continue to be a backbone of electricity production
- Coal will be phased out



Grid investment will rise to unprecedented levels



Energy efficiency will be a competitive criteria across industries due to

- Higher cost
- Volatility of supply
- Regional differences

Our purpose and mission



Let's
energize
society

Supporting our customers through the transition to a more sustainable world,
based on our innovative technologies and our ability to turn ideas into reality

We support our customers along the value chain

Low- or zero-emission power generation



Transport and storage of electricity



Reducing CO₂ footprint and energy consumption in industrial processes



Market position

#1 Offshore **#3** Onshore **#1** Gas turbines >10MW²

#1

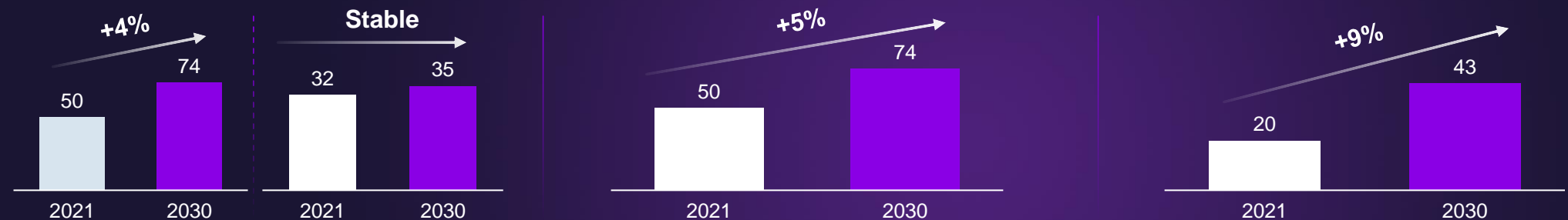
Leading market positions

Examples

- >100GW wind turbine installations
- 7,800 units of rotating equipment installed
- Global leader in HVDC installations
- Most comprehensive SF6-free switching portfolio
- >60,000 Industrial steam units and >25,000 Compression units in Service Fleet

Market growth¹

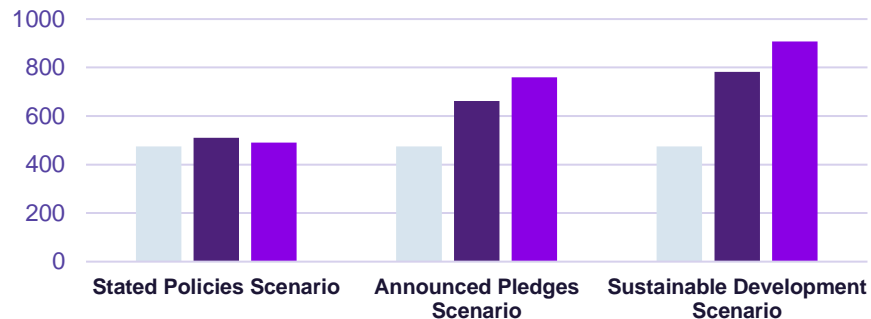
(CAGR in GW for wind and in €bn for the other projections)



¹ Wind market based on BloombergNEF, 2H 2021 Global Wind Market Outlook; excl. China; gas turbine, transmission and industrial market based on internal market assessment | ² Power generation applications in H1 FY22

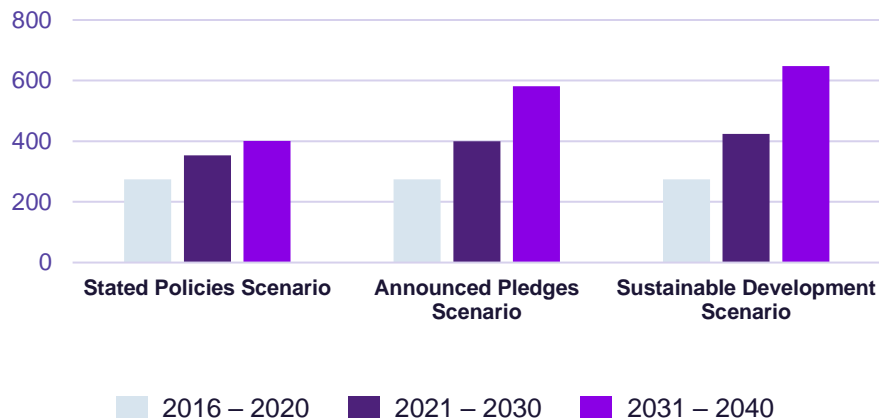
Growth and security of supply drive investment in generation & transmission

Generation investments (in €bn p.a.)¹



- More than €780bn investment spending p.a. this decade
- 3,300-5,300GW additions by 2030 – up to almost doubling today’s installations
- 37% – 54% renewables share in installed capacity by 2030; ~20% gas share

Transmission investments (in €bn p.a.)¹



- Up to €425bn of T&D investment annually this decade
- USD100-240bn investment in interconnect annually
- Increase in volatility due to increase share of renewables

Opportunities for Siemens Energy

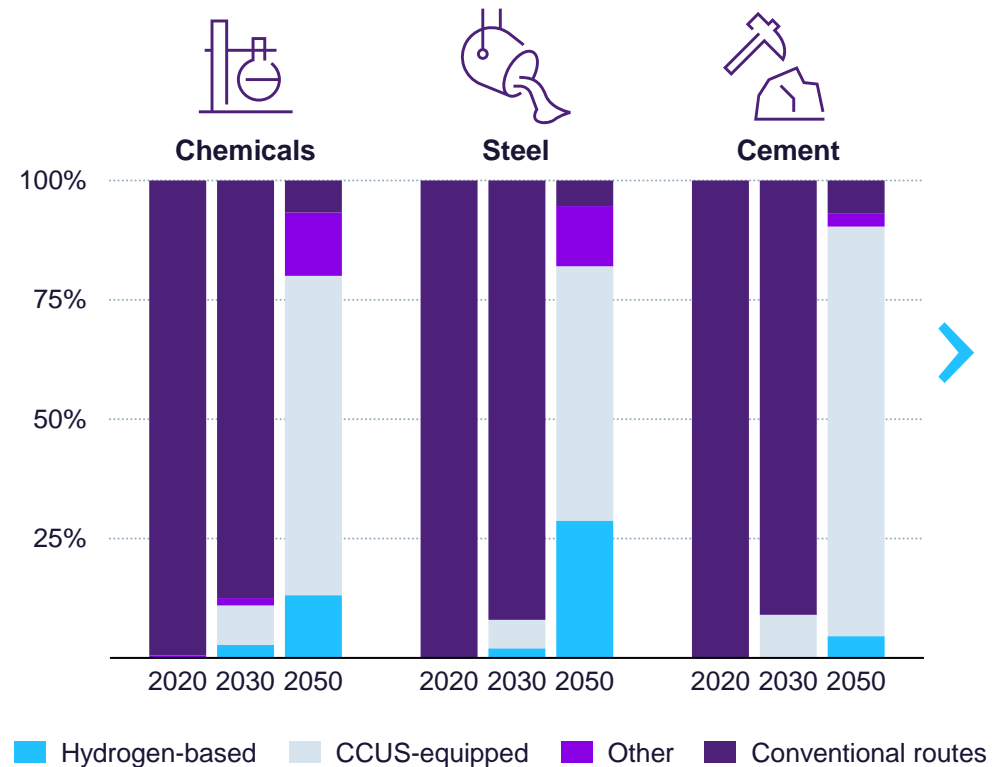
- Offshore and Onshore Wind
- Maintenance and upgrade of gas infrastructure
- Fuel shift (coal to gas)

- HVDC connections
- Offshore grid connections
- Grid stabilization and storage requirements

Industry sectors require efficiency improvement, a shift in feedstock & abatement technologies

Industrial processes will have to change for Net Zero to become a reality

Global industrial production of bulk materials by production route¹



1m ton
green steel production requires **50,000t** of green H₂ equivalent to **500MW** of offshore wind capacity²
Conversion of 25% of global steel production requires 250GW capacity

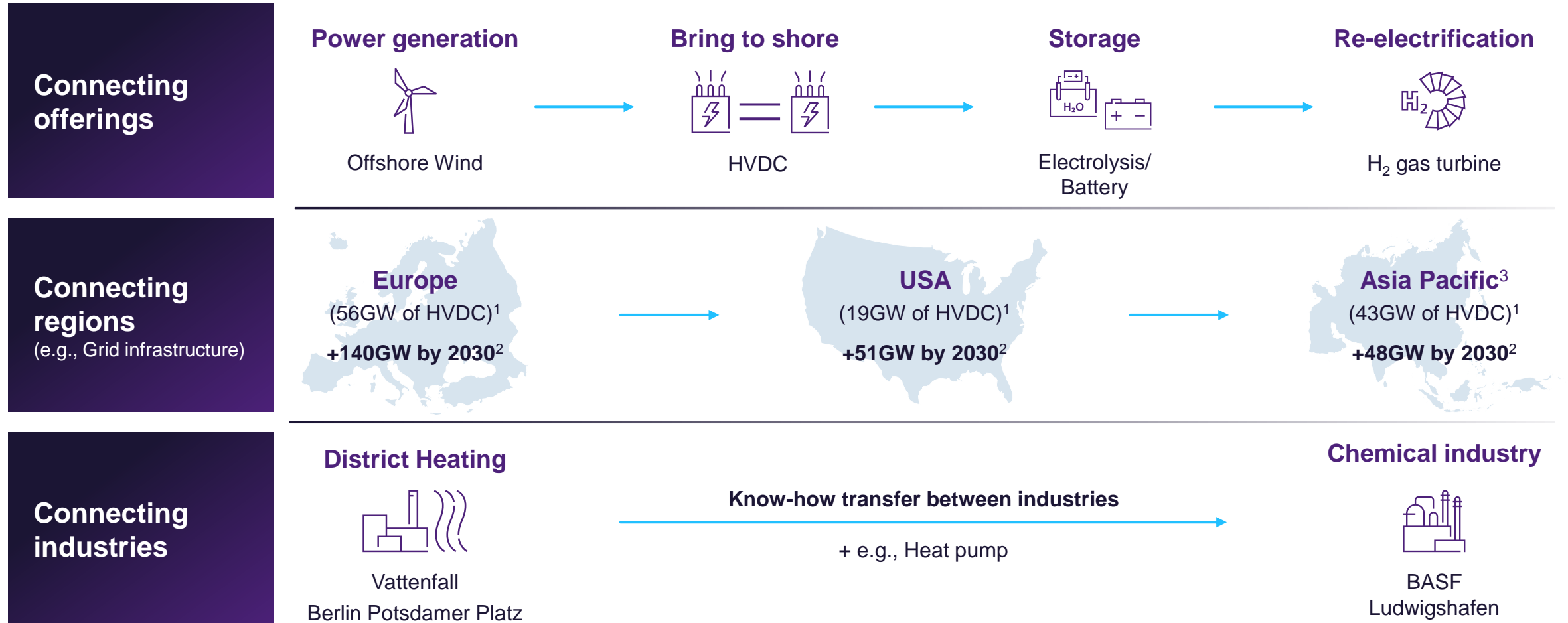
¹ IEA | ² Assuming 5500 hours operation per year

Opportunities for Siemens Energy

- Electrification, Automation and Digitalization
- Optimization of operations (e.g., heat pumps, CCUS)
- Usage of green molecules as feedstock (electrolyzer)

Connecting the dots

SE drives benefits from being a global integrated company



¹ Operating projects and projects that are under construction until 2021 | ² Project announcements with potential awards from 2022 until 2030, some projects will be operational past 2030

³ Excluding China

Managing market challenges

Covid-19

Geopolitical tensions

Raw material + logistics shortages

Significant increases in raw material and logistic prices

Initiatives to address those ...

- Procurement and Supply Chain instruments
- Price escalation clauses / indexation in customer contracts
- Pass through mechanisms in projects
- Synchronous contracting with customers / suppliers
- Increase in inventory
- Improve pricing power

... and what it means

- Regular monitoring of 3,000 key suppliers
- Bundled re-negotiation of contracts with key suppliers
- Joint negotiations between Gas and Power and SGRE (for a 50% price reduction per ton vs. spot market)
- Securing supply for our suppliers
- Bundled renegotiations with sea freight carriers (for a cut in rate increase by ~50%)
- Bundled shipping to simplify and secure logistic chains (e.g., from Shanghai to Hamburg)

Siemens Energy defined 5 levers to drive value

01

New operating model

Increase customer focus, transparency and accountability

02

Gas Services

Monetize on installed base through service and decarbonization

03

Grid Technologies

Leverage market leadership to benefit from accelerating investments

04

Transformation of Industry

Decarbonize industrial sector through focus on hydrogen and Electrification, Automatization and Digitalization

05

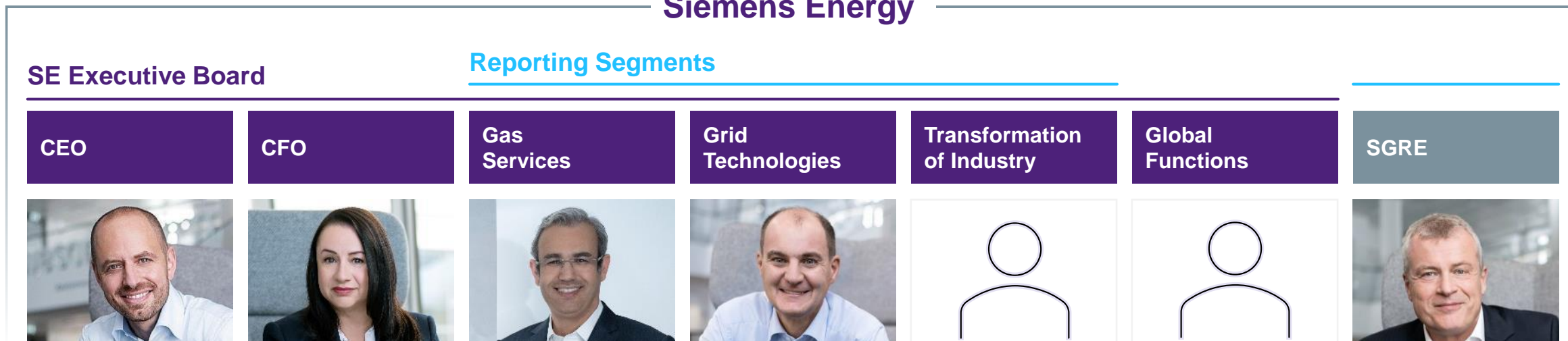
SGRE

Secure turnaround

New group structure (effective October 1, 2022)

to increase customer focus, transparency and accountability

Siemens Energy



GP:	Record orderbook ¹	Adj. EBITA before SI ²	FCF ³
	€57bn	+35%	€2.9bn
SGRE:	€33bn	Negative	€(0.7)bn

1 Order backlog as end of March FY22 | 2 Adj. EBITA before SI LTM vs. 12 month before spin | 3 FCF before tax cumulative since spin-off (April 1, 2020)
2022-05-24

New operating model (effective October 1, 2022)

with less hierarchy, more accountability and a focus on excellence

Clear Structures



- Hierarchy layers reduced from 11 to 6
- 30% less management positions
- Full P&L units from >80 to 7
- Clear business accountability
- Elimination of portfolio overlaps

Unified go to market



- Harmonized regional footprint with regional Hubs representing all Business Areas
- Integrated customer interfaces for Business Development

Operational excellence



- Integrated global functions generating synergies across Business Areas
- Supply chain excellence
- Process and data harmonization
- Global flexibility of execution resources

Focused innovation



- Five fields of actions
- Four global innovation centers
- Strengthened collaboration with external partners

Gas Services

Share of Siemens Energy total revenue¹



Revenue¹

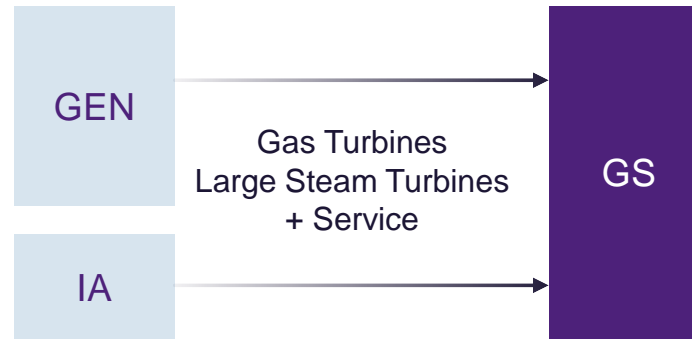
€9.0bn

Adj. EBITA margin before SI¹

7.0%

Monetize on installed base through service and decarbonization

What has changed in the new group structure?



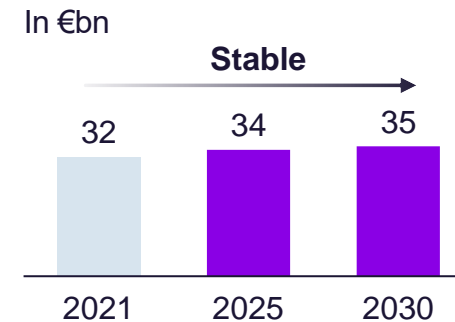
Business Drivers

- Decarbonization of power generation and district heating
- Service, Mods and Upgrades to increase efficiency and lower emissions
- Decentralization of energy infrastructure

Portfolio Elements

- Large and Industrial Gas Turbines from 4 – 600 MW
- Large Steam Turbines
- Large Generators
- Heat Pumps
- Modernization and Upgrades

Addressable Market²



Mid-term Targets

Revenue growth
Stable / modest decline
 Adj. EBITA margin (as reported)
10 – 12%

¹ FY21 pro-forma restated figures reflecting new reporting structure, partially approximated. The pro-forma revenue numbers are rounded to the nearest 50 million and the profitability number to the nearest half percentage point. | ² SE estimates

Grid Technologies

Share of Siemens Energy total revenue¹



Revenue¹

€5.8bn

Adj. EBITA margin before SI¹

6.5%

Leverage market leadership to benefit from accelerating investment

What has changed in the new group structure?



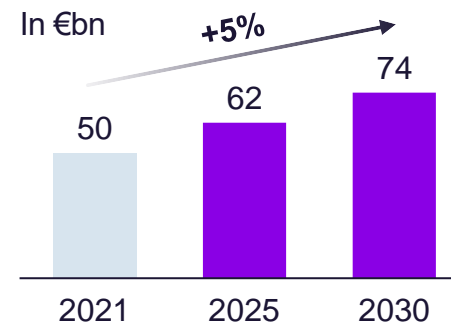
Business Drivers

- Growing electricity demand
- Connection of increasing amount of renewable energy
- Modernization of aging transmission grid
- Grid reliability and resiliency in increasing network complexity

Portfolio Elements

- HVDC transmission
- Grid Stabilization and Storage
- High voltage switchgears and transformers
- Grid automation & digitalization

Addressable Market²



Mid-term Targets

Revenue growth

Mid single digit

Adj. EBITA margin (as reported)

8 – 10%

¹ FY21 pro-forma restated figures reflecting new reporting structure, partially approximated. The pro-forma revenue numbers are rounded to the nearest 50 million and the profitability number to the nearest half percentage point. | ² SE estimates

Transformation of Industry

Share of Siemens Energy total revenue¹



Revenue¹

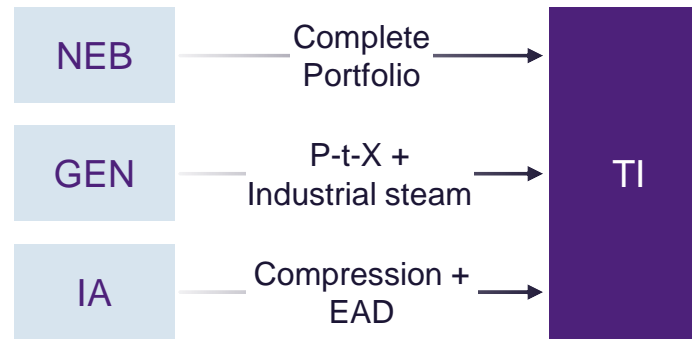
€3.9bn

Adj. EBITA margin before SI¹

-2.5%

Decarbonize industrial sector through focus on hydrogen and EAD

What has changed in the new group structure?



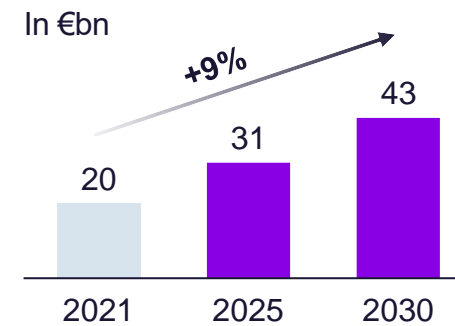
Business Drivers

- Growing demand for green hydrogen and derivative fuels
- Increasing electrification and efficiency of industrial processes
- Optimization demand of heat & power processes incl. waste heat utilization
- Need for reliable production, transportation and processing of gas and fuels

Portfolio Elements

- Hydrogen electrolyzer systems and Power-to-X solutions
- Integrated EAD solutions and services
- Industrial steam turbines and generators
- Turbo & Recip compressors and service; compression systems

Addressable Market²



Mid-term Targets

Revenue growth

Mid single digit

Adj. EBITA margin (as reported)³

6 – 8%

¹ FY21 pro-forma restated figures reflecting new reporting structure, partially approximated. The pro-forma revenue numbers are rounded to the nearest 50 million and the profitability number to the nearest half percentage point. | ² SE estimates | ³ Business Area profitability target range reflects different target ranges of independently managed businesses. Growth businesses may be margin dilutive to the mid-term Business Area target

Siemens Gamesa Renewable Energy

Share of Siemens Energy total revenue¹



Revenue¹

€10.2bn

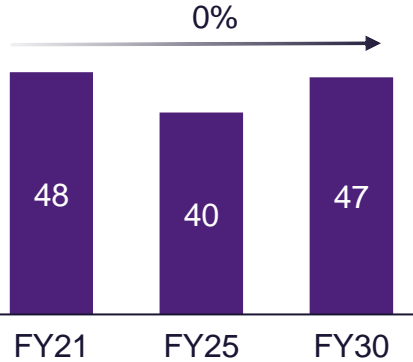
Adj. EBITA margin before SI¹

-1.0%

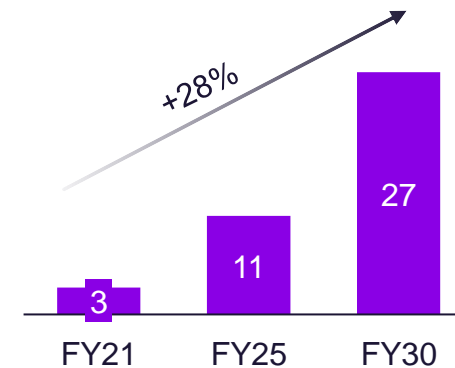
Secure turnaround

Wind market shows exceptional future growth

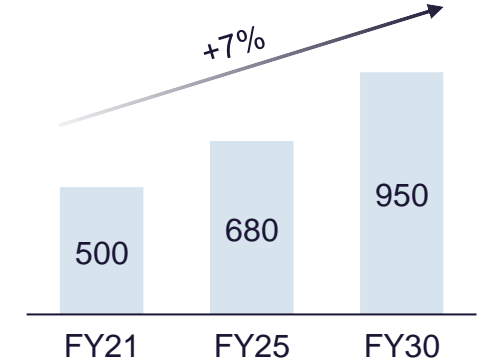
Annual global onshore wind installations² (GW, excl. China)



Annual global offshore installations² (GW, excl. China)



Global installed capacity in wind³ (GW, excl. China)



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

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

¹ FY21 | ² BloombergNEF, 2H 2021 Global Wind Market Outlook; excl. China | ³ BloombergNEF, Wind Cumulative Installed Capacity and Forecast by Country (2022); excl. China

ESG is a business opportunity



E Environment



S Social



G Governance

Our Targets



Decarbonization

Climate neutral own operations by 2030
Aspiration of **Net Zero** value chain



Gender diversity

25% by 2025
30% by 2030
(share of women in top leadership positions)



Safety

Achieve **Zero Harm**
Become the leader in our industry

Recognition

Top 4%



B-



MSCI
ESG RATINGS

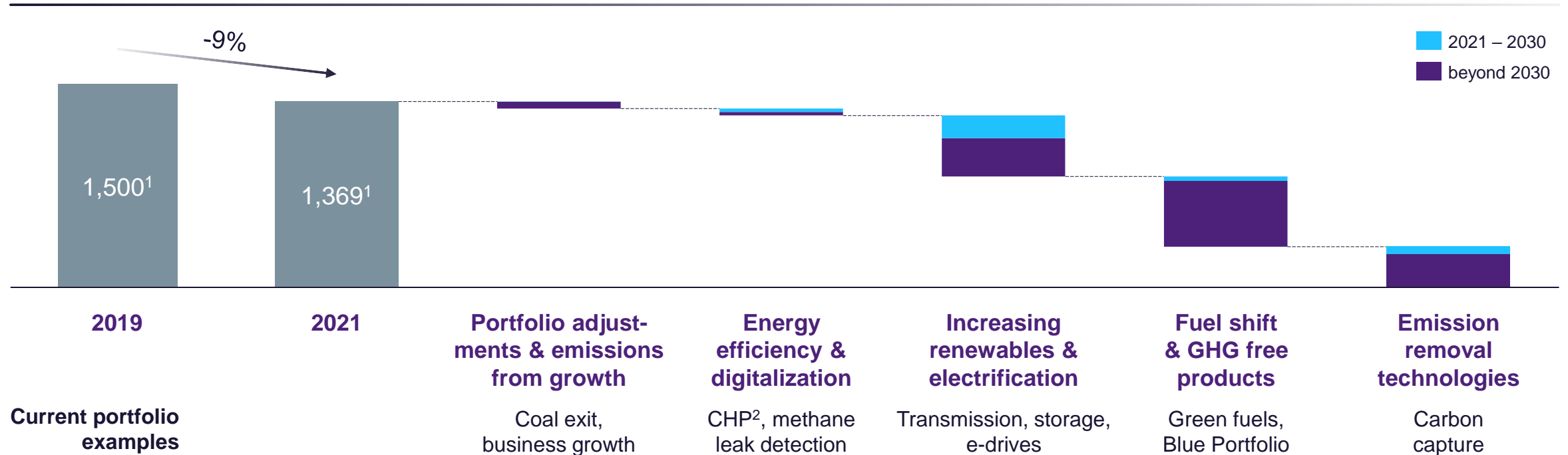


CCC B BB BBB A AA AAA



Our journey to Net Zero creates opportunity

Reduction measures



We believe a decarbonized energy system is possible if all stakeholders embark on that vision

¹ FY19 Gas and Power customer emissions calculated based on order intake and lifetime in Mt CO₂e | ² Combined Heat and Power

Our people
**our base
for success**

Inclusion & Diversity

Everyone has an equal chance



~150
countries are represented
by our employees



Our values

Caring | Agile | Respectful |
Accountable



#BetterTogether program

Flexible working | Employee
well-being



€58m

spent in continuing education
in FY21 | €632 per employee



CEO priorities



Performance



Portfolio



Process



People

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