

Press release

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Siemens Energy quantifies charges for ramp-up challenges at Siemens Gamesa

Siemens Energy has concluded a status report analyzing quality problems at the onshore platforms 4.X and 5.X of its wind power subsidiary Siemens Gamesa following the ad hoc release of June 22.

Onshore quality

The largest proportion of the quality problems that can occur after a given turbine runtime are certain rotor blades and main bearings in the 4.X and 5.X platforms. However, these are not installed in all turbines on the 4.X and 5.X platforms, so only a limited number of the onshore turbines are affected. The turbines can still be operated, but to ensure a long-term runtime, the aim is to rectify the problems within the normal service intervals. A task force consisting of experts from Siemens Gamesa and Siemens Energy has been established to deal with the identified problems on the 4.X and 5.X platforms. The team of experts is supported by AlixPartners, a consulting company specializing in the effective handling of complex projects.

The expected costs for remedying the quality problems have been considered in the 3rd quarter, with charges for future expenses amounting to €1.6 billion. The immediate liquidity outflow in fiscal 2023 is low. The main part of the expected repair costs is expected in fiscal 2024 and 2025.

Offshore Ramp-up

In addition to the quality-related charges, Siemens Gamesa expects higher product costs in the offshore sector, which means that projects already committed to contractually cannot be completed profitably if implemented by the customer. In addition, there are further challenges in the ramp-up of offshore activities. Both effects lead to additional charges of €600 million in the 3rd quarter. The cash outflow resulting from these burdens will be spread over several years and amount to a low two-to-three-digit sum in the current year.

In order to achieve the ambitious EU-wide targets for renewable energies, the rate of expansion, especially of offshore wind turbines must be rapidly increased. Every year, 30 gigawatts (GW) must be added to reach the targets set by 2030 (comparison: total installed capacity currently 255 GW).

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Siemens Gamesa is currently in the process of ramping up various factories for offshore production or converting them to larger turbines, including in France, Germany, Denmark and the United Kingdom. The continuing tight procurement market and the strained labor market are contributing to these burdens.

Other financial implications

Finally, the net result will be additionally burdened by the write-down of deferred tax assets of approximately €700 million.

Despite these additional charges, Siemens Energy still has a strong balance sheet with cash and cash equivalents of around €4.3 billion. The rating agency S&P Ratings confirmed its investment-grade rating for Siemens Energy at the end of June.

In contrast to the challenges in the wind business, Siemens Energy's conventional energy business achieved excellent results in the third quarter.

Forecast full year 2023

The results of the analysis lead to a reassessment of the full-year guidance. For the fiscal year ending September 30, Siemens Energy expects comparable revenue growth to be in a range of 9% to 11% (previously 10% to 12%) and a Profit margin before Special items between negative 10% and negative 8% (previously around the low end of the guidance range of positive 1% to positive 3%). Net loss of Siemens Energy Group now is expected to be around €4.5 billion (previously expected to exceed prior fiscal year's level of €712 million by up to a low-triple-digit million € amount). Expected is now a Free cash flow pre tax for fiscal year 2023 up to a negative low triple-digit million € amount (previously positive up to a low triple-digit million € amount).

Measures initiated

The Supervisory Board of Siemens Energy has set up a special committee for a detailed investigation of the quality and productivity problems at Siemens Gamesa. Independent external experts have critically reviewed and positively assessed the methodology used to calculate theoretical future failure rates as well as expected follow-up costs. A cross-functional task force, consisting of experts from Siemens Gamesa, Siemens Energy and Alix Partners, has been tasked with resolving the quality issues for the 4.X and 5.X. In addition, certain third-party suppliers were excluded from further deliveries.

Due to the developments at Siemens Gamesa, Siemens Energy is reviewing the current strategy and action plan in the wind business. Details of this strategic plan will be presented at the Capital Markets Day in November.

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