

Press release

Berlin, May 24, 2022

Executive Board presents plans for strategic evolution – Siemens Energy aims for greater transparency in the capital market

- Positive result: Gas and Power profitability up 35 percent after a year and a half of independence; cost-efficiency measures save more than EUR 350 million
- Greater transparency: New corporate structure lays out clear responsibilities, ensures greater efficiency, brings business closer to customers, and provides greater transparency for the capital market
- Shared market approach: Integration of Siemens Gamesa Renewable Energy (SGRE) is logical evolution for a leading energy technology company and offers customers a holistic approach in the transition toward greater sustainability
- Attractive prospects for future: Global energy market promises good growth rates

At its Capital Market Day in Berlin, Siemens Energy will be presenting analysts and investors with its strategic cornerstones for the coming years. The management's goal is to build an integrated energy technology company with a clear focus on ESG which supports customers as they make their transition toward greater sustainability, while delivering reliable returns for investors. Siemens Energy will rely on three main pillars: low-emission or zero-emission power generation; transport and storage of electricity; and reducing the CO₂ footprint and energy consumption in industrial processes. A new aspect will be Siemens Energy's structure: starting in fiscal 2023, the former Divisions will be repositioned as Business Areas, whose key financial figures will be reported quarterly. This will increase transparency for the capital market significantly. By integrating SGRE, Siemens Energy will strengthen its position, creating a holistic, go-to-market approach further enhancing customer focus. Finally, a new organizational structure will significantly reduce complexity, create flatter hierarchies, shorten decision-making processes, and strengthen individual employees' sense of personal responsibility.

“As an integrated energy technology company, we have a broad, strong portfolio that covers the entire value chain. This unique selling proposition gives us a clear competitive advantage. Another crucial factor will be to make sure our customers perceive us as a unified whole and a reliable partner, despite the rising complexity of the energy market. Technology is important, but alone it is insufficient. More and more, it will be essential to be able to act quickly and to be close to the customer. It will be critical how we manage our supply chains and production, how we execute projects and how we successfully leverage our increasing amounts of data. We want to be faster, more flexible, and more customer-oriented,” said Siemens Energy CEO Christian Bruch.

Gas and Power’s profitability and cost-efficiency rise substantially

Since becoming an independent entity, Siemens Energy has already achieved important, intermediate goals for its own transformation. Gas and Power, one of the current two reporting segments, has improved its operating performance substantially over the past year and a half, increasing its profitability 35 percent. Additionally, efficiency enhancements, process optimization, and portfolio adjustments have saved more than EUR 350 million in costs. Non-conformance costs – a yardstick for good project organization and execution – have been cut more than 20 percent. And with liquidity of EUR 5.1 billion, together with access to credit lines for another EUR 5.5 billion, Siemens Energy has very sound financing. The company invests more than EUR 1 billion annually in research and development to reduce emissions from existing technology and to make sustainable technologies for the market.

Greater transparency for capital market, less hierarchy in the organization

As of the start of the new fiscal year in October 2022, Siemens Energy will be introducing a new organizational structure. The Gas and Power segment will be reorganized into three Business Areas Gas Services, Grid Technologies, and Transformation of Industry and accompanying financial figures will be released quarterly. The Transformation of Industry Business Area will comprise four autonomous Business Units that report separately. Overall, this will offer considerably more transparency than previously disclosed to the capital market. Other areas that are critical for the company’s success – such as procurement, logistics, and IT – will be pooled.

In the future reporting structure, revenue and earnings viewed retrospectively for fiscal 2021 (rounded, and on a pro-forma basis) would look as follows: Gas Services, with approximate revenues of EUR 9 billion and adjusted EBITA before special items of 7 percent will comprise all business operations relating to gas turbines and large steam turbines, including the associated servicing business.

Grid Technologies, covering the former Transmission business and all future operations relating to energy storage, would have had revenue of EUR 5.8 billion and an adjusted EBITA before special items of 6.5 percent.

The Transformation of Industry Business Area, which mainly focuses on reducing energy consumption and CO₂ emissions in industrial processes, will include four business operations: 1) Sustainable Energy Systems (including hydrogen, electrolyzers, Power-to-X, photovoltaics); 2) Electrification, Automation, Digitalization (EAD, formerly under Industrial Applications); 3) Industrial Steam Turbines & Generators (IST, including industrial steam turbines up to 250 MW and their servicing, as well as industrial generators); and 4) Compression (CP, turbo and reciprocating compressors and their servicing; formerly a part of Industrial Applications). As a single organizational unit, these business operations would have had revenue of EUR 3.9 billion in fiscal 2021. The adjusted EBITA margin before special items would have been minus 2.5 percent. This additional transparency is intended to provide the capital market with a way of assessing the development of these businesses better in the future.

Hierarchies will be reduced substantially within Siemens Energy. The leaner structures are designed to significantly speed up decision-making processes. A total of approximately 30 percent of the previous management positions will be eliminated. Areas that have involved as many as eleven levels of hierarchy up until now will have no more than six. There are no layoffs planned as a result of the new organizational structure. The aim of these steps is to bring the business closer to the customer, to reinforce individual units' own sense of responsibility, and to eliminate complex approval processes.

Maria Ferraro, CFO of Siemens Energy: "Our new reporting structure will meet the expectations of the capital market for greater transparency in the Business Areas. The new corporate structure reduces internal reporting complexities, ensures greater efficiency, and results in our businesses being closely aligned to our markets and customers."

Integration of SGRE reinforces position as leading integrated energy technology company

Another key next step in the transformation to a leading energy technology company with a clear focus on sustainability is the integration of SGRE, in which Siemens Energy has held 67 percent of the stock up to now. Siemens Energy recently announced it would acquire the remaining 33 percent that is still in free float. The aim is to delist SGRE and fully integrate it. The transaction is expected to close during the second half of the year 2022. That will allow SGRE to actively address the current challenges that several profit warnings have induced. On top of that, by successfully delisting SGRE, Siemens Energy will be able to simplify processes further and make the transition to a shared

corporate structure with flatter hierarchies. The estimated cost synergies of up to EUR 300 million per year within three years of full integration will result primarily from better project execution, consolidation of logistics, and a more transparent supply chain. There will also be joint research and development efforts. The shared market approach, which will provide broader customer access, a complete range of energy products and services for customers, and added value due to data-based capabilities, promises revenue synergies of a mid-triple-digit million EUR amount by the end of the decade.

The wind power market is one of the fields that currently has the most attractive growth potential. Globally installed wind power capacity (excl. China) is expected to increase by around 7 percent per year until the end of the decade, mainly due to new offshore wind turbines, which are expected to grow by around 28 percent per year over the same period (excl. China). Siemens Energy is also excellently positioned beyond renewables because the energy transition is taking place at different speeds around the world, and that requires different solutions. As an integrated energy technology company, Siemens Energy is positioned to meet all of its customers' needs across the entire value chain. For instance, natural gas – considerably cleaner than coal – will become the backbone of power generation within the next 20 years. The focus here will be on expanding existing installations, and on the service business – both of which are core businesses of the Gas Services Business Area. When it comes to transporting the generated electricity, smart power grids and grid technology will be indispensable. This is where the Grid Technologies area is a market leader, with its high-voltage DC (HVDC) transmission technology and environmentally friendly portfolio of products free from sulfur hexafluoride (SF₆). Through its Transformation of Industry Business Area, Siemens Energy also covers the promising future business in all aspects of hydrogen and Power-to-X.

The Capital Market Day will take place from 9 a.m. to 4 p.m. and can be followed via livestream on Siemens Energy's [website](#).

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Press release



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Siemens Energy is one of the world's leading energy technology companies. The company works with its customers and partners on energy systems for the future, thus supporting the transition to a more sustainable world. With its portfolio of products, solutions and services, Siemens Energy covers almost the entire energy value chain – from power generation and transmission to storage. The portfolio includes conventional and renewable energy technology, such as gas and steam turbines, hybrid power plants operated with hydrogen, and power generators and transformers. More than 50 percent of the portfolio has already been decarbonized. A majority stake in the listed company Siemens Gamesa Renewable Energy (SGRE) makes Siemens Energy a global market leader for renewable energies. An estimated one-sixth of the electricity generated worldwide is based on technologies from Siemens Energy. Siemens Energy employs around 91,000 people worldwide in more than 90 countries and generated revenue of €28.5 billion in fiscal year 2021. www.siemens-energy.com.

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