

SIEMENS ENERGY
ANNUAL SHAREHOLDERS' MEETING 2021

Christian Bruch

President and Chief Executive Officer,
Siemens Energy AG

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Check against delivery.

Esteemed shareholders and viewers, investors, members of the Supervisory Board, and colleagues! I'd also like to greet the representatives of the Siemens family.

My warm welcome to the first Annual Shareholders' Meeting of Siemens Energy AG.

On behalf of our Executive Board and our employees, I thank you for the trust you have placed in Siemens Energy. My thanks also go to our customers and partners.

Since this is our first Annual Shareholders' Meeting, I'd like to briefly explain the setup of Siemens Energy again before turning to my report on our past fiscal year. Afterwards, I'll discuss the measures we are taking to improve profitability and then conclude with a few points on the medium- and long-term plans and orientation of Siemens Energy.

Siemens Energy – What we stand for

Siemens Energy is a young company with a long history. For some 155 years, our technologies have been contributing to the electrification of society, and we have been an independent company listed on the stock exchange for the past 136 days. Virtually no other company in the energy industry combines technologies, implementation expertise and reliability across the entire energy value chain like Siemens Energy.

By embarking on our path to independence in 2020, we created an important prerequisite for addressing changes in the energy market so we can continue playing a leading role in shaping the future of energy supply. Siemens Energy is a world-leading energy technology company. One-sixth of the world's power generation is based on our technologies that have been implemented by our employees in power plants, components, and services.

Over 50 percent of our revenue today is generated with renewable energies and transmission technologies. And we keep close to our customers with our global footprint.

We support our customers with the most advanced and efficient technologies and solutions in the energy industry, regardless of where they stand in their energy transition. Our claim is: *We energize society*. That's why what we do is so relevant for society. Day after day, our employees undertake extraordinary things to keep critical infrastructure working and the lights on.

Siemens Energy is organized as two reportable segments: "Gas and Power" or GP, and "Siemens Gamesa Renewable Energy" or SGRE. You can also see this distinction in the financial figures presented in our Annual Report.

Gas and Power consists of three Divisions:

- Generation, responsible for efficient and low-emission power generation,
- Industrial Applications, responsible for industrial applications used by our customers in the process industry,
- and Transmission, responsible for the low-loss transformation and transmission of electricity.

One business area that is currently attracting considerable attention is our New Energy Business, in which we have bundled our electrolysis activities, such as the production of hydrogen.

In addition, we hold a 67-percent stake in Siemens Gamesa Renewable Energy, a publicly listed, world-leading supplier of onshore and offshore wind turbines.

Getting started – Fiscal Year 2020

Fiscal 2020 was a historic year for Siemens Energy thanks to its spin-off from Siemens AG. And as in many other industries, 2020 was also and above all dominated by the COVID-19 pandemic.

Our organization has quickly adapted to the new boundary conditions. Whether working in home office, in workshops and factories, directly with our customers, or at construction sites, our employees mastered the situation with outstanding commitment and dedication. In all our activities, the health and protection of our employees and partners had – and continue to have – the highest priority. Throughout the year, we succeeded in maintaining our business operations and managing our complex supply chains.

Energy and electricity are the foundation of economies and societies worldwide. We at Siemens Energy have helped keep this foundation stable. We also accomplished this by providing a wide range of digital services such as the remote maintenance of plants and the remote commissioning of turbines. As terrible as the consequences of COVID-19 have been, the pandemic has also boosted demand for such digital solutions and services.

At the same time, however, some of our customers have had to postpone investments or delay maintenance intervals, or our activities on construction sites have at times been interrupted. Yet despite these challenging conditions, around 70 percent of our production facilities were able to operate at full or only slightly reduced capacity in the past fiscal year. All our factories are currently operating, and only one in five is working with slightly reduced capacity due to the pandemic.

Despite all the precautionary measures taken in our workplaces, some of our employees were also stricken by COVID-19. As of February 9, we have registered some 3,100 cases worldwide. Fortunately, around 2,800 of those colleagues have since recovered. But tragically, we have recorded 12 deaths since the outbreak of the pandemic. We mourn their loss together with their families. And we wish all those who are afflicted a speedy and complete recovery.

The pandemic is changing the way we live and work together. And it is also changing the world of energy. We are already operating in a market that is rapidly being transformed. We see, however, that the pandemic has further accelerated the pace of the shift towards intelligent and sustainable energy systems.

This conclusion is also shared in the “World Energy Outlook 2020” published by the International Energy Agency (IEA). According to the IEA, a “*well-conceived energy policy*” is more important than ever for making energy systems worldwide more resilient and for reaching climate targets. As are the right technologies. We at Siemens Energy want to make a decisive contribution here. We want to support our customers on their journey through the energy transformation by providing them with sustainable, reliable, and affordable energy systems and the necessary services.

ESG is core to Siemens Energy

Ladies and Gentlemen,

ESG criteria – which means: environmental, social and governance – play a decisive role in the orientation of our company.

We contribute to all 17 sustainability goals of the United Nations Agenda 2030, and focus on five of these goals, including “gender equality”, “affordable and clean energy”, and “climate action”. On our Executive Board, I have personally taken over responsibility for the topic of sustainability. And Maria Ferraro is responsible for inclusion and diversity in our company. This also underscores the importance of these topics for us.

We set ambitious sustainability goals for the company in fiscal 2020. We want to convert our own electricity consumption at Siemens Energy to 100-percent green electricity by 2023; at present, we are at 78 percent. Siemens Gamesa has already been relying on 100-percent green electricity for its operations since 2020. At Siemens Energy, we're aiming at being climate-neutral in our own operations by 2030. Siemens Gamesa already reached its climate-neutral target in 2019 and intends to be the very first energy technology company to reach net-zero emissions by 2050.

We want to offer our employees equal and excellent opportunities for their personal development in the company. In the past fiscal year, we at Siemens Energy invested €60 million in the training and continuing education of our employees. Lifelong learning is a critical success factor in an industry that is undergoing profound changes.

The safety and health of our employees have highest priority. To ensure this, we've redefined our safety principles and will continue improving our safety-related behavior. Our goal: zero work-related incidents. Zero fatalities.

We've also set clear goals for inclusion and diversity in the company. By 2025, we want to increase the share of women in top leadership positions at Gas and Power from just over 20 percent at present to 25 percent. And we're aiming at a 30-percent share here by 2030.

Siemens Gamesa plans to increase the proportion of women for all employees and management to 25 percent by 2025. I am convinced that diverse teams are more efficient, and that active inclusion and diversity are factors that attract young people to an employer.

Acting with responsibility is also the basis of our corporate governance. And this includes maintaining the highest standards of integrity and compliance in everything we do. In the event of misconduct, we act swiftly and consequently. Our integrity is the foundation of our business principles. And under no circumstances will this be called into question.

Helping our customers master the energy transition

Ladies and gentlemen,

Siemens Energy develops and implements projects along the entire energy value chain. I'd now like to highlight selected successful projects from the past fiscal year as examples of our work.

The energy transition also includes providing highly efficient interim solutions for conventional power generation. Our new generation of gas turbines, the HL class, is just such a solution. With an efficiency of 63 percent, it sets a new standard for power generation with natural gas. Last year we delivered our first HL-class turbines to customers in the U.S. and the UK. With them, our customer in England slashed their CO₂ emissions by half compared to the old coal-fired plant. In numbers, this translates to a saving of up to 3.7 million tons of CO₂ – or one percent of the United Kingdom's total energy-related CO₂ emissions. With efficiency like this, I'm convinced that our gas turbines can make a decisive contribution to the energy transition.

Power transmission systems are the backbone of every energy infrastructure. One example from our portfolio in this segment is our grid connections with offshore wind farms in the North Sea. Last July, we handed over the BorWin3 platform to our customer TenneT. And in the fall, we received the order for a further platform, BorWin5. When all seven platforms are in operation, they will serve around seven million households in Germany with green electricity.

The energy transition is not only about the efficient generation and transmission of electricity, but also about reducing energy consumption and emissions in industrial processes. One example of our work at our Industrial Applications Division is the delivery of industrial gas turbines and centrifugal compressors to our customer Total for installation in Africa's largest liquified natural gas project in Mozambique. Our equipment will help significantly increase the LNG plant's efficiency.

Wind power plays a key role in the generation of renewable energy. And with it, Siemens Gamesa Renewable Energy. Customer Vattenfall has placed an order with SGRE to supply 140 offshore wind turbines for a wind power plant off the coast of the Netherlands. The turbines will generate electricity for two million households and further reduce the cost of offshore wind energy.

Fiscal 2020 in numbers

Ladies and gentlemen,

Although fiscal 2020 was a challenging year, we showed a solid operational performance.

Expressed in numbers:

- Order intake for Siemens Energy grew 1 percent to €34 billion.
- The order backlog reached a total of €79 billion.
- Revenue declined by 5 percent to €27.5 billion.
- The book-to-bill ratio, the ratio of new orders to revenue, was a good 1.24.

Looking at our two reporting Segments, Gas and Power and Siemens Gamesa, we get the following picture:

- Order intake at Gas and Power fell by nearly two billion euros to €19.3 billion. SGRE, on the other hand, was able to increase its order intake by a solid two billion euros to €14.7 billion.

- The order backlog at Gas and Power dropped to around €48 billion, while the backlog at Siemens Gamesa rose by roughly €30 billion, also helped by the takeover of Senvion.
- Revenue at Gas and Power and Siemens Gamesa declined to €18.1 billion and €9.5 billion, respectively.

We were very satisfied with the development of our free cash flow before taxes, despite it dropping by €187 million to €977 million. We were successful in keeping our money together in this difficult year.

Adjusted EBITA before special items for Siemens Energy was just below breakeven at a negative €17 million.

- Our adjusted EBITA margin before special items at Siemens Energy reached minus 0.1 percent. This was within our guidance.
- At Gas and Power, it was at a positive 1.4 percent.
- At SGRE, it reached minus 2.6 percent.

The overall result was heavily influenced by negative special effects totaling around €1.5 billion. The bottom line showed a net loss of €1.9 billion for fiscal 2020.

These special effects also included, in addition to severance and one-off costs related to the spin-off, impairments and write-downs related to strategic portfolio decisions in our aeroderivative gas turbine business. These are smaller turbines primarily used in the oil and gas industry. Since demand for these turbines was permanently too low and our market expectations were not met, we have streamlined our portfolio in this area.

Outstanding commitment of our 92,000 colleagues worldwide

Considering the general economic conditions and our special challenges related to the spin-off and establishing ourselves as an independent company, we have shown a solid operational performance. Complete the spin-off and list Siemen Energy on the stock market; support customers in the best possible way despite COVID-19; reorganize the company to create the basis for future success: all this is only possible with a great team. In this extraordinary year, our 92,000 colleagues worldwide have achieved extraordinary things. I'd like to thank them all for their commitment on behalf of the entire Executive Board.

To help alleviate the additional burdens caused by the corona pandemic and to pay special tribute to their achievements, we gave our participating employees in Germany a special bonus. They received Siemens Energy shares worth over €45 million.

In addition, we also established the “Employee Spin-off Incentive Program” to honor our employees’ strong commitment to completing a successful spin-off. As part of this program, our employees receive stock awards worth 3 percent of their total annual target income. These stock awards entitle the holder to receive shares in Siemens Energy at the end of the vesting period in September 2023. The higher the share price rises, the more shares will be transferred. Our employees can participate until the end of March, which is why we cannot communicate a total sum at this point in time. I will touch on this later during the presentation of the management report regarding treasury shares.

Successful start at the stock market and admission to the MDAX

Ladies and gentlemen,

The market’s expectations of a company are also reflected in the development of its share price. As expected, the share price of Siemens Energy was initially volatile following its starting price of €22.01 at its first listing on September 28. Also because index-based funds had to sell their shares in Siemens Energy. Since then, the share price has increased in value by 44 percent. In comparison, the MDAX grew 23 percent and the DAX was up 13 percent in the same period. Admission to the MDAX in December 2020 proved to be a stimulus for further growth.

As Siemens Energy, we want to shape the energy transition and be an attractive investment for our shareholders. Our dividend policy provides for a pay-out ratio in the range of 40 to 60 percent of net profit. As previously announced in our prospectus, Siemens Energy will not distribute a dividend for the past fiscal year due to the company’s loss for the year.

Immediately following our listing, we launched our share buyback program with a volume of up to €393 million. The sole purpose of the buyback is to issue shares to employees and to members of the Executive Board. The program will run to the end of March 2021 at the latest. To date, we have bought shares with a total value of around €307 million.

Our success depends on motivated and talented employees. At Siemens Energy, we are therefore encouraging employees to participate in their company. To this end, we’ve set up several employee share programs that are proving to be very popular. Today, nearly 35,000 colleagues are also employee shareholders.

The energy market is changing – we are changing with it

Ladies and gentlemen,

At Siemens Energy, we are tackling one of society's greatest challenges: ensuring a reliable, affordable, and sustainable supply of electricity to meet growing demand.

- Electricity consumption is soaring worldwide – in part due to the increasing electrification of industry and the spread of electromobility.
- At present, some 770 million people worldwide have no access to electricity and will be striving for reliable power supplies in the future.
- As a result of these trends, an increase of up to 50 percent is expected for global power generation by 2040.
- At the same time, the demand for highly efficient, climate-neutral generation solutions is growing.

How can we succeed in meeting this increasing demand for energy on a sustainable basis?

There is a growing awareness that we can't waste any time if we want to effectively fight climate change. Growing numbers of companies as well as countries and entire economic regions are setting ambitious climate targets. Nearly 70 countries have already committed to targeting net zero emissions. The U.S. has rejoined the Paris Agreement on Climate Change and aims at converting its electricity supplies entirely to clean energies by 2035. Germany's phasing out of coal, the EU's 2050 target, and China's pledge to become climate-neutral by 2060 are further examples of this change in direction.

The electricity market is shifting rapidly toward renewables and solutions for decarbonization. When it comes to energy sources, this means solid growth in wind and solar – which will benefit Siemens Gamesa. We're also trying to benefit in areas where these technologies are integrated into energy systems – which includes our Generation business. We expect to see a flat development in the fields of natural gas, nuclear and hydropower, and a decline in coal and oil.

What exactly do these changes mean for us?

For one, good opportunities. After all, we already generate 50 percent of our revenue with our decarbonized portfolio, such as renewable energies and efficient transmission technologies. On the other hand, these changes also present major structural challenges. Above all, for power generation with fossil fuels and thus for the traditional business of our Generation and Industrial Applications Divisions.

I'm convinced that the energy sector will need interim solutions in the foreseeable future if the energy transition is to succeed worldwide. When replacing obsolete coal-fired power plants with highly efficient combined cycle plants, for example. To ensure we can seize these opportunities and prevail in this challenging market, we must become more efficient, agile, and flexible. We must transform ourselves!

Our strategy program “Energy of Tomorrow”

The “Energy of Tomorrow” strategy we presented at the Capital Market Day early in September 2020 described the two phases for shaping this transformation. It's about improving the operational performance of Siemens Energy and thus securing the financial leeway needed for shaping the energy transition.

Concrete action to deliver on the fundamentals

There are various approaches for delivering on the fundamentals. We want to align the portfolio with a focus on sustainability and growth. We've already made several decisions in this regard over the past few months. I already mentioned the business with aeroderivative gas turbines. In addition, we announced last November that we would no longer be participating in new tenders for new exclusively coal-fired power plants.

Last week, we presented other specific plans for improving earnings to the employee representatives. They affect all parts of the company: headquarters, businesses, and the Regions. Our focus will be on reducing material costs – such as in procurement – and improving internal processes.

Part of the measures will result in a further reduction of jobs: Worldwide, around 7,800 jobs will be affected by 2025. The reasons for these reductions vary from area to area. These job cuts will primarily affect jobs in administration, in management and in sales. We will deal responsibly with this demanding situation. This involves employees who are committed to their work, have a high level of competence, and have supported the company with their dedication, often over many decades. Nevertheless, there is simply no alternative to improving our profitability; it is the basic requirement for providing sustainable jobs.

We want to tackle these challenges working together with the employee representatives.

For our business locations in Germany, the company management, IG Metall, and the General Works Council signed the “Future Agreement 2030” a few days ago. It sets the framework for the approach we will be taking to secure the competitiveness of Germany as a business location in the international arena. This also includes increasing our training quota – the proportion of trainees and dual education trainees in the overall workforce – even in these difficult times.

And ensuring that we define those competencies which are decisive for the energy world of the future and establish or expand these competencies at our locations.

Ladies and Gentlemen,

As Siemens Energy, we will concentrate on three areas in the future:

- First, power generation with ever-lower or zero emissions (we believe the use of highly efficient gas turbines is – and will remain – an important interim solution).
- Second, the efficient transmission and storage of electricity.
- And third, solutions that address the consumption side and that reduce CO₂ emissions in industrial processes.

The service business plays a crucial role in this strategy. Service business provides robust earnings, long-term relationships with customers, and a high margin quality. We want to continuously enlarge and strengthen the service business, which already accounts for 40 percent of the revenue at Gas and Power. Also with the help of digital offers.

We are carrying out the transformation of Siemens Energy step by step. For us, this also means working closely with customers and partners, where we are stronger as a team. In the past year, we entered into cooperations with a large number of partners and customers.

Some examples:

- We're working with Linde Engineering on solutions for decarbonizing the petrochemical industry.
- Together with our Chinese partner SPIC, we're building our first megawatt-range plant for producing green hydrogen in China.
- We recently concluded two partnerships in Abu Dhabi: We want to drive development of green hydrogen in the country together with the investment company Mubadala. And we are working with Masdar and partners on the development of clean, hydrogen-based fuels.
- And we also rely, of course, on close cooperation between Siemens Energy and SGRE. One of our lead hydrogen projects is H2Mare. We'd like to develop an electrolyzer that produces green hydrogen and that can be directly integrated into an offshore wind turbine developed by Siemens Gamesa. In this concept, green hydrogen would be produced on the high seas, transported to shore through pipelines, and used in transport and industry. The project is part of the H2Mare Initiative, which is to be funded by Germany's Federal Ministry for Education and Research.

With the help of these and many other collaborations, we're integrating Siemens Energy into sustainable, global innovation networks. In the end, this means understanding market developments in good time and acting with foresight.

The challenges presented by the energy transition can only be mastered with innovative technologies and the skills for turning these technologies into solutions. In the past fiscal year, we at Siemens Energy invested around 1 billion euros in research and development. The R&D intensity, defined as the ratio of R&D expenses and revenue, was 3.6 percent, marking a slight increase compared to the previous year. We want to maintain this focus on research and development in the future, despite undertaking cost reductions in other areas of the company. We are aligning our development projects with a focus on sustainability and service.

Improving our profitability step by step

Our goal is to shape the energy transition and target growth areas in the energy market to drive profitable growth in our company. Even though we still have quite a bit to do in our transformation, we've been able to prove our capabilities in the past. For example, in the electrification of industries or entire countries, or in our ability to optimally use our database for developing digital products and services.

On the basis of our strategy, we're aiming at the step-by-step improvement of our profitability.

- In the past fiscal year, the Adjusted EBITA margin before special items was within our forecast range of minus 1 to plus 1 percent.
- This year, we're aiming at 3 to 5 percent.
- In fiscal 2023, we want to reach 6.5 to 8.5 percent.
- And over the medium term, we want to achieve an Adjusted EBITA margin after special effects of at least 8 percent.

A higher margin level is the basic requirement for ensuring the further development of Siemens Energy. Only then can we generate the funds necessary for investing in future-oriented business models, technologies, and markets. We've now taken the first steps toward this goal.

We energize society

Ladies and gentlemen,

Siemens' energy business has changed and evolved steadily from its very beginning. In 1866, Werner von Siemens discovered the dynamo-electric principle and revolutionized the world of electricity. It marked the beginning of a new age. Ever since, Siemens' recipe for success has always been to shape change. The energy market is again undergoing a transformation, and we are being transformed with it. As a new and independent company, Siemens Energy is resolutely tackling this transformation:

- by implementing measures to increase profitability step by step;
- with a robust network of customers and partners;
- with a strong focus on future-oriented technologies and markets,
- and with a highly committed and motivated team.

We want to shape the energy world of tomorrow. We want to energize society. We want to become the world's most valued energy technology company. And we are already busy creating the conditions for achieving this. As you can see, we have big plans. And we will be very pleased if you continue accompanying us on our journey.

Thank you for your trust.
