Shareholder Letter Q3 FY2023

Siemens Energy Investor Relations

Dear shareholders,

Because of adverse findings about product quality problems of certain onshore platforms, increased product cost inflation as well as ramp-up challenges in the offshore business we had to publish an ad-hoc announcement towards the end of the last quarter. At our Q3 quarterly results presentation on August 7, our CEO, Christian Bruch, our CFO, Maria Ferraro, and Siemens Gamesa CEO Jochen Eickholt, provided an update about the situation of the wind business and an updated full year outlook for Siemens Gamesa and Siemens Energy.

"Our third-quarter results demonstrate the challenges in turning around Siemens Gamesa. The strong performance of our other business areas gives me confidence in our company's ability to put businesses back on a strong footing", said Christian Bruch.

During the quarter, **the former Gas and Power businesses, Gas Services (GS), Grid Technologies (GT) and Transformation of Industry (TI),** which account for 2/3 of group revenue, **continued to improve on their key performance indicators such as orders, revenue and profit before Special Items and showed very healthy cash flow.** However, because of charges and negative impacts on the underlying performance at Siemens Gamesa related to the above-mentioned issues, Siemens Energy as a whole reported a significant loss.

Our orders show that Siemens Energy continues to benefit from a favorable market environment. Orders of €14.9bn reflect 54.2% growth on a comparable basis (excluding currency translation and portfolio effects), primarily driven by large orders at Siemens Gamesa and GT. The Book-to-bill ratio (ratio of orders to revenue) came in at 1.98 for the **order backlog to rise to a new record of €109.0bn. Revenue increased by 8.0%** on a comparable basis to €7.5bn. **Profit before Special items** of Siemens Energy was **negative with €2,048m** (Q3 FY 2022: negative €222m) driven by charges at Siemens Gamesa totaling €2.2bn.

In light of the developments at Siemens Gamesa, management **adjusts the outlook for Siemens Energy**.

Due to the aforementioned challenges at Siemens Gamesa, management now expects for Siemens Energy Group comparable revenue growth to be in a range of 9% to 11%, a Profit margin before Special items between negative 10% and negative 8% and a Net loss of around €4.5bn. Free cash flow pre tax now is expected up to a negative low triple-digit million € amount. Management maintains its revenue and Profit margin assumptions for the segments GS, GT, and TI.

On the following pages we want to give you further insights into the challenges at Siemens Gamesa. An in-depths analysis is helping us to define the right measures to get Siemens Gamesa back on track. We are working hard to rectify the situation at Siemens Gamesa and intend to update on the Siemens Gamesa situation and to provide a mid-term outlook for all of our businesses during our Capital Market Day, which will be webcast out of Hamburg on November 21.

Thank you for your interest in Siemens Energy. I wish you a relaxing rest of the summer.

All the best.

Michael Hagmann

Michael Hagmann | Head of Investor Relations

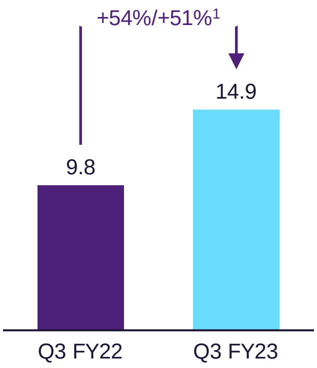
Orders Q3	Revenue Q3	Profit before SI[2] Q3
€14.9bn +54%[1]	€7.5bn +8%[1]	€(2.0)bn

1 Comparable basis: Excluding currency translation and portfolio effects **| 2** Special Items

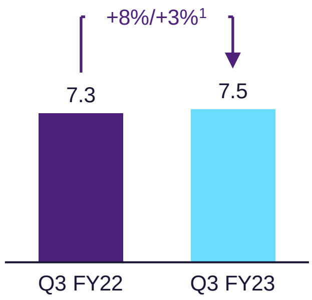
Siemens Energy in Q3 FY2023

(in €bn, except where otherwise stated)

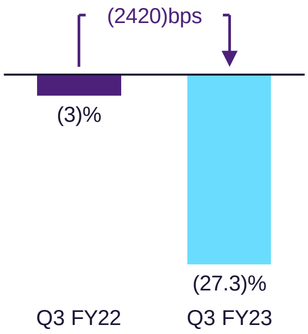
Orders



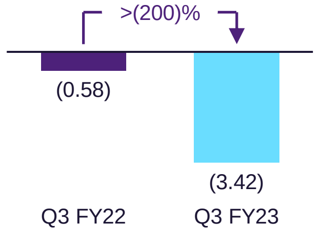
Revenue



Profit Margin before SI



EPS in €

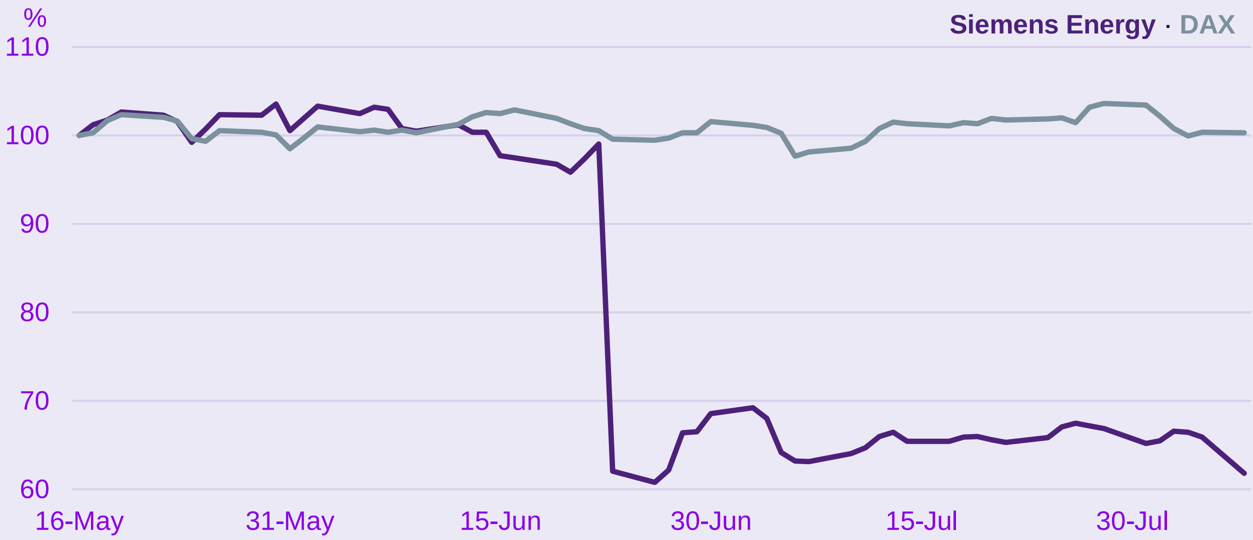


1 xx% / xx% = comparable (excluding currency translation and portfolio effects) / nominal

Business Areas	**Orders**		**Revenue**		**Profit Margin before SI**	
	in million €	Change (comp.)	in million €	Change (comp.)	In percent	Change (comp.)
Gas Services	**2,177**	**(17.2)%**	**2,719**	**+21.2%**	**10.9%**	**+440bps**
Grid Technologies	**4,294**	**+63.9%**	**1,823**	**+18.7%**	**8.7%**	**+710bps**
Transformation of Industry	**1,299**	**+13.9%**	**1,070**	**+10.5%**	**6.5%**	**+490bps**
Sustainable Energy Systems	4	+136.3%	24	+109.3%	(55.5)%	+5,620bps
Electrification, Automation, Digitalization	474	+18.3%	274	+12.7%	8.5%	+910bps
Industrial Steam Turbines & Generators	422	+17.4%	332	+4.3%	9.6%	+130bps
Compression	412	(5.8)%	450	+11.5%	7.3%	+640bps
Siemens Gamesa	**7,359**	**+113.2%**	**2,054**	**(12.2)%**	**(124.1)%**	**(10,850)bps**

Share performance

May 16, 2023 – August 7, 2023



Siemens Energy -38.2% · **DAX** +0.3% · **GE** +13.4% · **Baker Hughes** +29.7% · **Hitachi** +14.5% · **MHI** +34.4%

Siemens Energy w/o Siemens Gamesa: Successful turnaround!

Our former Gas and Power businesses account for 2/3 of our revenue. The current performance is a great example for a successful turnaround story. During the third quarter the pattern of the first half of the fiscal year continued:

1. **(1) Strong order growth reflecting strong demand**
2. **(2) Strong revenue growth as we execute on our backlog**
3. **(3) Strong margin improvement, due to selectivity 2-3 years ago, cost out and lower NCC**
4. **(4) A strong cash flow, because of the high level of orders.**

During the first nine months of the year, the former Gas and Power businesses had an excellent performance. Most impressive is the fact, that these **businesses generated €1.4 billion in Profit before SI** with a cash conversion of more than 1 so far this year.

>€27 billion in orders, 22% revenue growth and 8.7% profit margin in fiscal year 2023 so far

We are capitalizing on the quality of our products, our global reach and the opportunities created by the energy transition. Therefore, we booked orders of €27.3 billion, which reflects a run rate of €9.1 billion per quarter, **nearly doubling the quarterly run rate compared to 2020**.

During the first nine months, **we have grown revenue in the former Gas and Power business by 22 percent** on a comparable basis to €16.1 billion.

€1.4 billion in profit before Special Items, reflects a **margin of 8.7%.** This marks **an improvement of more than 7 percentage points compared to where we started in 2020**.

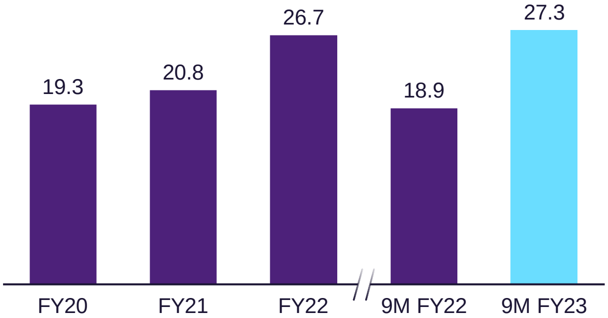
On track to achieve fiscal year and mid-term guidance

Gas Services, Grid Technologies and Transformation of Industry are on track to reach the assumptions we have laid out at the beginning of the year as well as the mid-term targets set at the Capital Market Day in May 2022.

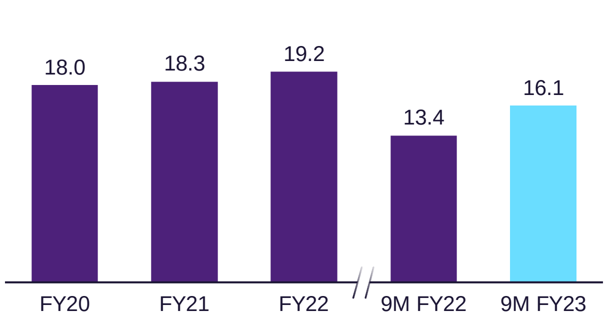
Our focus on selective bidding, cost out and operational excellence gives us confidence that these businesses will continue to develop even more favorably given the positive market development.

All figures in billion €

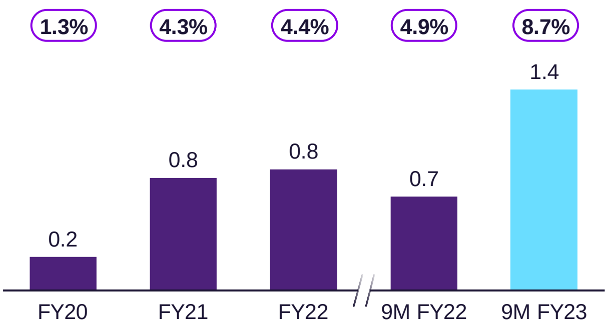
Orders



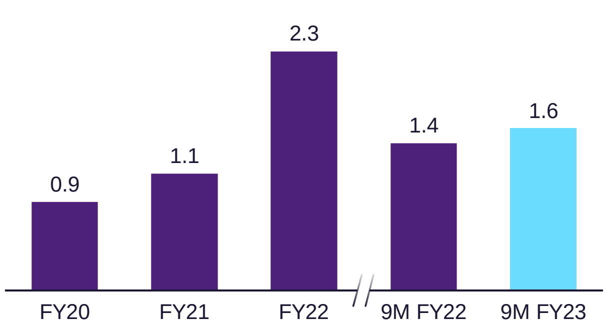
Revenue



Profit before SI[1]



Free Cash Flow pre tax



1 Prior year figures are presented on a comparable basis

X.X% Profit margin before Special Items

Siemens Gamesa onshore business

Background of current challenges

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 on June 22.

Only limited number of onshore turbines affected

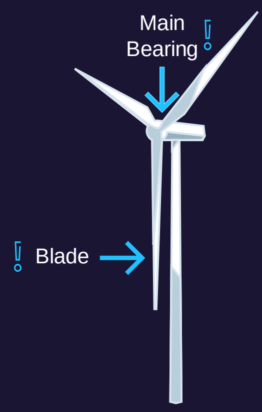
The largest proportion of the quality problems that can occur after a given turbine runtime are certain rotor blades and main bearings in the 4.X and 5.X platforms. However, these are not installed in all turbines on the 4.X and 5.X platforms, so only a limited number of the onshore turbines are affected. 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.

Task force established

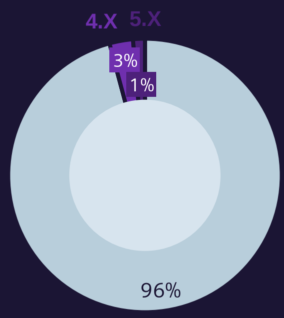
A task force consisting of experts from Siemens Gamesa and Siemens Energy has been established to deal with the identified problems on the 4.X and 5.X platforms. The team of experts is supported by AlixPartners, a consulting company specializing in the effective handling of complex projects.

€1.6 billion charges for future expenses

The expected costs for remedying the quality problems have been considered in the third 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.



Wind turbine fleet[1]
(~59k onshore wind turbines)

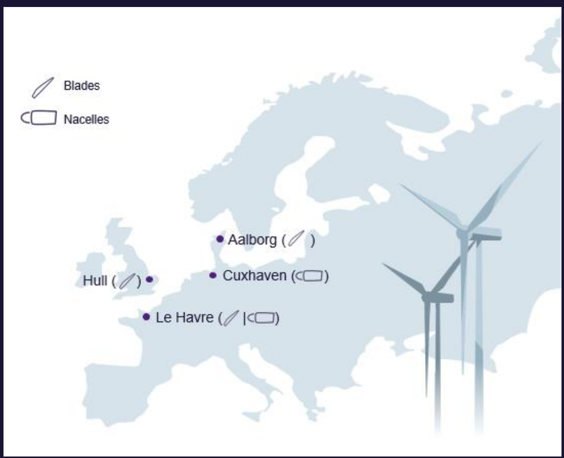


1 Units installed (excl. units under construction)

Siemens Gamesa offshore business

Background of current challenges

Challenging ramp-up
in different offshore locations



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.

€600 million charge in offshore

Both effects lead to additional charges of €600 million in the third 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.

30 GW offshore wind to be added yearly to meet targets

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 GW must be added to reach the targets set by 2030.

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.

Siemens Gamesa other financial implications

Write-down of €700 million deferred tax assets

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 €4.4 billion.

S&P confirmed investment grade rating with a stable outlook

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, Siemen Energy's conventional energy business achieved excellent results in the third quarter.

Siemens Gamesa: Measures defined and under implementation

Slower growth and longer path to target profitability

Task force in place

Sound offshore quality with high availability levels

External validation and support by renowned companies

Clear accountabilities through new organization

Strengthening of processes

Clear measures have been taken to cope with the current challenges

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.

Strategic update at the Capital Market Day on November 21, 2023

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.

Outlook for the fiscal year 2023

In light of the developments at Siemens Gamesa, **we amended the outlook for the fiscal year 2023 for Siemens Energy.**

Overall assumptions for the segments GS, GT, and TI for fiscal year 2023 remain unchanged.

Siemens Gamesa adjusts revenue and Profit assumptions for fiscal year 2023 and now assumes **comparable revenue growth of negative 3% to 0%** (previously positive 6% to positive 10%) and a **negative Profit before Special items around €4.3 billion**.

In addition to the aforementioned charges, the assumptions for Siemens Gamesa reflect lower profit contributions from the execution of its current order backlog mainly related to increased product costs and continued ramp-up challenges in the offshore activities.

Accordingly, we now expect **for Siemens Energy 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).

We now expect 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).

Financial Calendar

Nov. 15, 2023	4th quarter FY23
Nov. 21, 2023	Capital Market Day 2023
Feb. 7, 2024	1st quarter FY24
Feb. 22, 2024	Annual General Meeting 2024

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