Capital Market Day 2020

Generation Section
Jochen Eickholt, Member of the Executive Board of Siemens Energy
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What we stand for

Christian Bruch
CEO

Passion for transformation

Maria Ferraro
CFO

Clear focus on EBITA & Cash

Jochen Eickholt
Member of the Executive Board

Better performance through Operational Excellence

Tim Holt
Member of the Executive Board

Service and digitalization as value drivers
We are uniquely positioned across central and distributed generation

<table>
<thead>
<tr>
<th>Business segments</th>
<th>Central generation &gt;100 MW¹</th>
<th>Distributed generation &lt;100 MW¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service – of our large generation fleet (&gt;100 MW)</td>
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</table>

<table>
<thead>
<tr>
<th>Customer groups²</th>
<th>~30%</th>
<th>~20%</th>
<th>~20%</th>
<th>~30%</th>
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<tbody>
<tr>
<td>Utilities</td>
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<td>Municipalities</td>
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<td>EPCs</td>
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<td>Industries</td>
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</table>

Note: Market position related to addressed market according to Siemens Energy internal assessment for FY19; IPP = Independent Power Producer; EPC = Engineering, Procurement, Construction | 1 Gas Turbines; Steam – Central: >250 MW, Steam – Distributed: <250 MW | 2 Split based on order intake with third parties for new units, FY19

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Snapshot
Our SGT5-9000HL and SGT-800

SGT-9000HL heavy-duty gas turbine

Power output of up to 593 MW
Powering 3.3 m people
CO₂ savings equivalent to 1 m cars¹

SGT-800 industrial gas turbine

Power output of up to 62 MW
>400 turbines sold
Capability to burn H₂ of up to 50%

1 Compared to coal-fired power plants: 3.7 Mt CO₂ savings per year; equal to 1 m mid-range cars clocking up 17,500 km a year

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Siemens Energy Generation by numbers

Siemens Energy total revenue (FY19)

- €28.8 bn
- ~28% share of Siemens Energy total revenue

Generation total revenue (FY19)

- €8.2 bn

1 Total revenue splits calculated before intra-group consolidation and reconciliation effects

Key figures (FY19)

- €33 bn Order backlog
- €8.6 bn Orders
- €8.2 bn Total revenue
- ~27 k Employees

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Siemens Energy Generation
Monetizing our powerful market position and service business

A market leader with strong global presence, high customer intimacy and highly competitive portfolio

Resilient service business with strong backlog, attractive profitability and a growing fleet

Driving the energy transition by distributed offering and innovations in decarbonized energy systems and digital

Value generation by cost-out programs, footprint consolidation, portfolio streamlining and focus on service and distributed
We are leading across our offer spectrum

Central Generation

- #2 in large gas turbines (LGT)\(^1\)
- #2 largest fleet >100 MW\(^2\)

Distributed Generation

- #1 in industrial gas turbines (IGT)\(^1\)
- #1 in industrial steam turbines (IST)\(^3\)

Service

- 25% share of central generation fleet (>100 MW)\(^4\)
- ~16-18 years average duration of service relationship

Note: Market position related to addressed market according to Siemens Energy internal assessment for FY19 | 1 By market share in number of units | 2 Gas and steam, in number of units | 3 By market share in terms of order intake in € | 4 Considering total global fleet of installed large gas and steam turbines (Siemens Energy internal assessment, based on several industry sources, including fleet data and other market sources; estimated share includes turbines using SE technology)
With our broad offering we effectively address local needs

<table>
<thead>
<tr>
<th>Generation share of fleet&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Europe</th>
<th>Middle East&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Americas</th>
<th>China</th>
<th>APAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>~20%</td>
<td>~30%</td>
<td>~30%</td>
<td>~15%</td>
<td>~25%</td>
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</tbody>
</table>

Local needs

- **Decarbonization**
  - Germany Marl Project
  - High CHP efficiency

- **Power to society**
  - Egypt Roadmap
  - Joint development

- **Coal to gas and gas to power**
  - US Lincoln County
  - HL<sup>3</sup> intro and partnership

- **Coal to gas**
  - UGTC
  - Technology partnership

- **Nuclear to gas**
  - Korea HL Market Intro
  - Highly efficient solution

**Generation offering/value proposition**

**Note:** CHP = Combined Heat and Power; UGTC = China United Heavy-duty Gas Turbine Company
1 Including Africa | 2 Siemens Energy Generation fleet (including technology ownership) vs. total fleet >100 MW | 3 HL-class turbine

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The generation market is transforming
Growth in distributed, decline in central

Global LGT demand: ~70-80 units p.a. vs. ~200 in FY14 – growth in powerful jumbo frames (>300 MW)

Growth in IGT (highly efficient CHP solutions, hybrid)

Decline in large steam alongside coal

Growth in IST in biomass and waste-heat usage

Increased demand for retrofit and modernization

Service business as a resilient foundation

Source: SE Common Market Model (CMM Q2/20) | Note: CHP = Combined Heat and Power | 1 Combined view New Unit and Service; decline in gas of 1% is related to LGT market, decline in coal of 9% is related to LST for coal applications. Percentages for market segment sizes based in € | 2 Nuclear, oil

Our addressable market (in € bn, CAGR)

Growth in both industrial gas and industrial steam

Other²

Decline in coal (steam) of ~9%

Modest decline in gas of 1%

Distribution generation

Central generation¹

(1.4)%

28

FY19

27

FY25

Excludes distributed service as included in Industrial Applications
Gas will remain a key technology and decarbonization enabler

Our tailored offerings

• **New gas power plants** – Highly efficient and reliable, CCPP and CHP applications

• **Coal to gas** – Increase efficiency up to 25 pp¹, reduce CO₂ emissions

• **Shift to hydrogen** – H₂ co-firing

• **Brownfield engine exchange** – Reduce CO₂ emissions

• **Hybrid solutions** – Low to zero carbon emissions, integration of renewables, H₂ as energy storage

**Source:** IEA World Energy Outlook 2019, SDS Scenario (TWh)

**Note:** CCPP = Combined Cycle Power Plant; CHP = Combined Heat and Power | ¹ Converting old steam plant into highly efficient CCPP

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### Efficiency, performance, emissions

We have a leading technology platform

<table>
<thead>
<tr>
<th>Ambition</th>
<th>Large gas</th>
<th>Industrial gas</th>
<th>Industrial steam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve performance and defend #1 position</td>
<td>Improve performance and defend #1 position</td>
<td>Maintain leadership in fragmented market</td>
<td></td>
</tr>
<tr>
<td>Establish our competitive next generation gas turbine</td>
<td>Establish our competitive next generation gas turbine</td>
<td>Expand market lead further</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Market position (FY19)&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Large gas</th>
<th>Industrial gas</th>
<th>Industrial steam</th>
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<tbody>
<tr>
<td>#1</td>
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<table>
<thead>
<tr>
<th>Customer story</th>
<th>Large gas</th>
<th>Industrial gas</th>
<th>Industrial steam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bin Qasim III, Pakistan</td>
<td>First F-Class order from Pakistan 2x 4000F</td>
<td>First 50 Hertz HL-class SGT5-9000HL</td>
<td>Seventh order from Toyo in Japan SST-700/900</td>
</tr>
<tr>
<td>... essential in meeting Karachi's future energy demands ... a testament to KE's commitment to improving the reliability of power supply ...</td>
<td>... UK's cleanest and most efficient gas-fired power station, displacing older, more carbon-intensive generation ...</td>
<td>Siemens is one of our most important partners, with whom we have a great success in biomass utilizing Siemens' highly efficient steam turbine generator ...</td>
<td></td>
</tr>
<tr>
<td>Moonis Alvi (K-Electric)</td>
<td>Stephen Wheeler (SSE Thermal)</td>
<td>Keiji Morino (Toyo Engineering)</td>
<td></td>
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</tbody>
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1 Large gas turbines and industrial gas turbines by market share in number of units; industrial steam by market share in terms of order intake in €
2 New HL-class entered market in 2018

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We have unique capabilities to realize the world’s most crucial projects

**Egypt**
Megaproject
Support national goals of sustainable economic growth

**France**
CCPP
Ensure security of supply and growing consumer needs for electricity

**Brazil**
Gas to Power
Provide financing models in project development

**Germany**
CHP
Support district heating of up to 150,000 households

**Note:** CCPP = Combined Cycle Power Plant; CHP = Combined Heat and Power
A large and attractive service business

Share of global fleet (>100 MW)\(^1\)

SE fleet by region (>100 MW)\(^1\)

- **Siemens Energy**
  - 3.5 k
  - 25%

- Competitors
  - 14 k
  - 75%

- **SE fleet by region**
  - **China**
    - 3.5 k
    - 15%
  - **Americas**
    - 31%
  - **Europe**
    - 20%
  - **APAC**
    - 19%
  - **Middle East\(^2\)**
    - 15%

#2 installed fleet

Well balanced globally

\(^1\)SE fleet (including technology ownership) vs. total fleet >100 MW | \(^2\)Including Africa

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**~16-18 years** average duration of service relationship

**~4% p.a.** growth of service order backlog (FY17 to FY19)

>90% of service order backlog is based on long-term service agreements

Majority of revenue **gas related** (vs. coal)

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Leveraging our powerful service business

Grow installed fleet
Gas turbines installed/under installation

Optimize LTPs
% of projects sold with LTP or O&M

Generate new business
- Brownfield engine exchange
- Coal to gas repowering
- Tailor made service offerings
- Decarbonization roadmaps
- Digital offerings

Drive utilization via upgrades
- Displacement of older frames
- Flexibility and performance
- H$_2$ co-firing

Strengthen LTPs
- Additive Manufacturing
- Extension of service intervals

Note: LTP = Long-Term Service Program; O&M = Operation and Maintenance Contract
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Extending our lead in distributed generation

Key success factors

Focused go-to-market approach
Superior products (e.g. SGT-800)
Pricing and delivery excellence

Gaining market share

Industrial gas turbines
- #1 globally
- Market share gain of 4pp (FY18-19) to almost 30%\(^1\)

Industrial steam turbines
- #1 globally
- ~30% market share\(^2\) – well ahead of competition

Industrial power plant at Marl Chemical Park, Germany

- Turnkey construction of two 90 MW power plant units
- Up to 1 m tons of annual CO\(_2\) savings

… we’re ending our coal-based production of electricity, process steam and district heat in Marl after more than 80 years.

*Thomas Wessel, Evonik*

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Note: Market position related to addressed market according to Siemens Energy internal assessment for FY19

1 By market share in number of units | 2 By market share in €
Capturing growth by decarbonizing energy systems

<table>
<thead>
<tr>
<th>Efficiency increase</th>
<th>Fuel switch and hybridization</th>
<th>Deep decarbonization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer drivers</strong></td>
<td>Emissions regulations, cost reductions, reliability</td>
<td>Emission reduction, flexibility, grid stability, storage integration</td>
</tr>
</tbody>
</table>

**Examples**

- **Santo Domingo floating power plant**
  Hybrid power plant solution (SCC-800 2x1) with integrated battery energy storage

- **Stadtwerke Leipzig – Coal to gas switch**
  2x SGT-800 Gas turbines, 2x SGen-100A SIESTART battery storage

- **HYFLEXPOWER**
  Decarbonizing a paper factory by modernizing an existing CHP plant

**Note:**

CHP = Combined Heat and Power | 1 Provision of 145 MW flexible generation

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Unlocking value with our pioneering digital offerings

Building on a portfolio addressing key customer needs

<table>
<thead>
<tr>
<th>Intelligent gas turbine controller</th>
<th>Fleet management suite</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Gas turbine efficiency increase</td>
<td>- Addressing growing $1.3 bn virtual power plant market</td>
</tr>
<tr>
<td>- Reduction of NO\textsubscript{X} emission</td>
<td>- Up to 4% increase in fleet efficiency</td>
</tr>
</tbody>
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Combining digital with our strengths to re-think value

<table>
<thead>
<tr>
<th>From remote to autonomous powerplant</th>
<th>Digital twin and VR</th>
</tr>
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<tbody>
<tr>
<td>- Moving from remote to managed service models</td>
<td>- Accurate integrated data collection for outage optimization</td>
</tr>
<tr>
<td>- Control powerplants with fewer or no people on-site</td>
<td>- Improving turbine design, planning and processes</td>
</tr>
</tbody>
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Additional business from new markets, new business models and higher value-add
Decline in LGT market has hit performance
Rightsizing underway

Siemens Energy Generation

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>9M FY19</th>
<th>9M FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order backlog (€ bn)</td>
<td>32</td>
<td>32</td>
<td>33</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Book-to-Bill</td>
<td>0.8x</td>
<td>1.0x</td>
<td>1.1x</td>
<td>1.0x</td>
<td>1.1x</td>
</tr>
<tr>
<td>Total revenue (€ bn)</td>
<td>10.9</td>
<td>8.5</td>
<td>8.2</td>
<td>5.8</td>
<td>5.7</td>
</tr>
<tr>
<td>Adj. EBITA before Special Items (€ m)</td>
<td>1,044</td>
<td>225</td>
<td>293</td>
<td>214</td>
<td>22</td>
</tr>
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<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>9M FY19</th>
<th>9M FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. EBITA before Special Items (€ m)</td>
<td>9.5%</td>
<td>2.7%</td>
<td>3.6%</td>
<td>3.7%</td>
<td>0.4%</td>
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</table>

Note: Order backlog shown as of fiscal year end. Order backlog defined as order backlog of prior reporting period plus value of orders of current reporting period less revenue recognized in current reporting period and adjusted for direct order value adjustments

~60% LGT market decline (FY14-18) led to under-absorption and price pressure

- Restructuring programs in place
- High one-time R&D to accelerate HL-class development
- Successful HL launch
- Complex organization led to high SG&A and NCCs
- New, leaner setup
- COVID-19 impact on FY20 YTD
- Partial catch-up in FY21
Full focus on value generation
No excuses

Profitability

Growth
- Extend #1 position in IGT and IST
- Grow service
- Customer intimacy: Partner of choice for decarbonization

Footprint
- Eliminate over-capacities and complexity
- Optimized manufacturing to improve utilization

Project excellence
- Be selective (de-risking)
- Reduce NCCs
- Drive technology partnerships (e.g. GT/P-2-X¹)

Portfolio
- Review options to exit coal
- Focus on high-margin, high-volume

Cost optimization
- Focus R&D on core revenue carriers
- Rightsize support organization
- Execute cost-out programs

New management and organizational structure (since April ’20) – from functional setup to product end-to-end responsibility

¹ GT/P-2-X = Gas Turbine/Power-to-X

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Conclusion

We are ...

1. The clear leader in distributed generation
   #1 in IGT and IST with growing market shares

2. Highly competitive in central generation
   25% market share and successful launch of HL-class

3. Monetizing our strong position in gas
   Gas to remain a key technology

4. A service powerhouse
   51% of our revenue

5. The partner of choice for decarbonization
   From H₂ co-firing hybrid to deep decarbonization offering

6. On a clear path to value generation
   Selectivity, rightsizing of operations and harvest service