SIEMENS energy

# Capital Market Day 2020

Transmission Section

Tim Holt, Member of the
Executive Board of Siemens Energy

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# Our Management Team
## 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

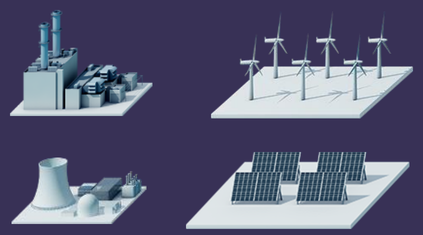
Better performance through Operational Excellence

**Tim Holt**
Member of the Executive Board

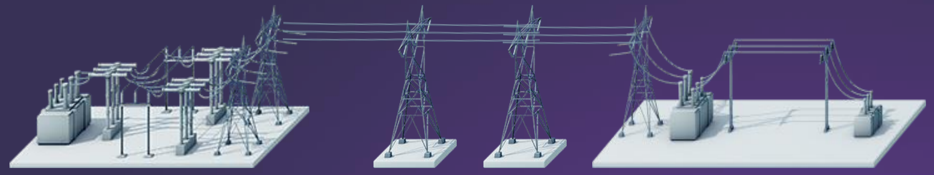
Service and digitalization as value drivers

# We connect the key elements of the energy value chain

## Central and distri-buted generation

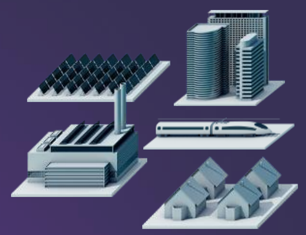


## Transmission and distribution



All products digitally enabled

## Industry and infrastructure



## From generation via transmission and distribution to consumer and prosumer

### Switching products and systems

- Transmission systems
- Air insulated switchgear (AIS)
- Gas insulated switchgear (GIS)
- Circuit breakers, surge arresters, disconnectors

### Non-switching products and systems

- Power & distribution transformers
- Bushings, instrument transformers & coils
- Bundles & systems

### Solutions

- Substations
- Grid access
- MVDC
- FACTS
- HVDC

### Service

- Product related services
- Modernization, upgrades
- Long-term service programs incl. O&M

**Note:** MVDC = Medium-Voltage Direct Current; FACTS = Flexible Alternating Current Transmission System; HVDC = High-Voltage Direct Current; O&M = Operation and Maintenance

# Product example
## World's largest HVDC transformer

14.4 m

37.5 m

UHVDC transmission line from Changji to Guquan in China covering **3,284 km**

Record voltage of **1,100 kV**

Transmission capacity of **12 GW**: Equivalent to power output of **~12** typical power plants

Electricity to **50 m** households

Weight of **909 t**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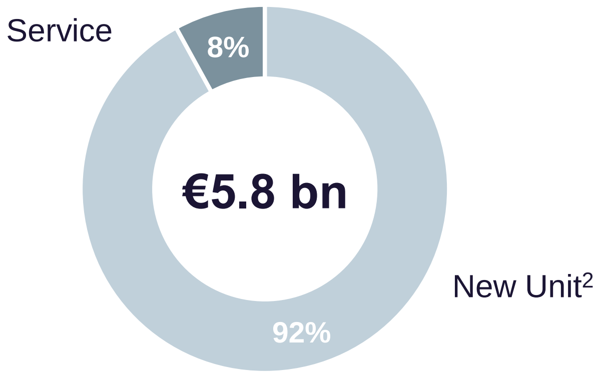
# Siemens Energy Transmission by numbers

## Siemens Energy total revenue (FY19)


~20%

Share of Siemens Energy total revenue

## Transmission total revenue (FY19)[1]




## Key figures (FY19)

**€8 bn**
Order backlog

**€6.2 bn**
Orders

**€5.8 bn**
Total revenue

**~20 k**
Employees

**1** Total revenue split calculated before intra-group consolidation and reconciliation effects
**2** Products, Systems and Solutions

# Siemens Energy Transmission
## Who we are

**Positioning**

**Market and technology leader** in a mission-critical element of the global energy system

**Growth**

**Excellent growth prospects** driven by industry-leading and innovative portfolio focused on key market trends

**Profitability**

**Significant margin improvement potential** supported by project excellence, portfolio streamlining and cost optimization

# **Leadership positions in a high entry-barrier market**
## Continued market gains have made us the global #1

## Products

**#1**

in switching products

**#2**

in non-switching products

## Solutions

**#1**

globally

Driven by **project awards of large HVDC solution projects**

## Service

**#2**

globally

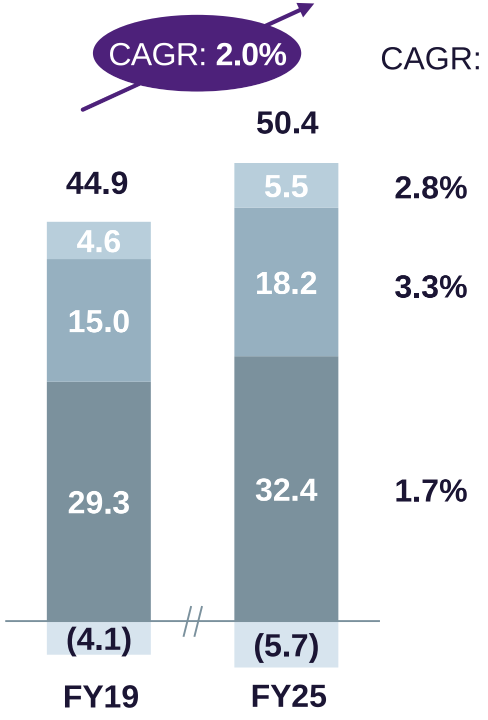
Mainly small project business for **switching products**

**Note:** Market position related to addressed market according to Siemens Energy internal assessment for FY19, based on order intake in €

# We are best positioned in a growing market

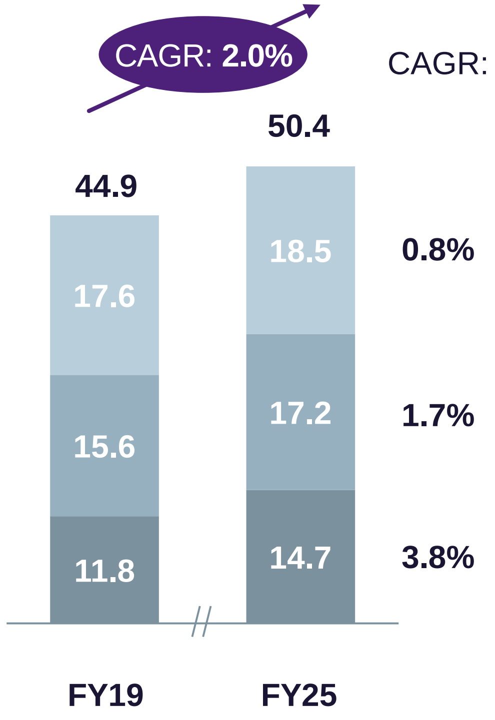
## Addressed Transmission market (€ bn)

By business




Products Solutions
Services Consolidation

By region




Americas EMEA
Asia, Australia

**Source:** Siemens Energy internal assessment

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## Trends

- Grid stability and renewables integration
- Greenhouse gas
- $CO_2$ reduction
- Digitalization/Internet of Energy
- Differentiated regional needs

## Our strengths

- Leading position in FACTS, phase shifters
- $SF_6$-free products, synthetic oils (esther)
- SensProducts™, SenseSystems™
- #1 or #2 in all key regions

**Right capabilities, offering and regional presence to drive continued growth**

# Key growth driver
## Rise of renewables and electrification

### Rise of renewables

- **Long distance** bulk energy transportation
- Lack of sufficient **transport capacity**
- **Complexity and volatility** (wind, solar) and risk of **blackouts**

### What it means for us

- **Growing** transmission market
- **Opportunities** in grid stabilization, grid interconnection and network expansion
- **Leading positions**[1] in grid access and stability products (e.g. phase shifters) and solutions (e.g. FACTS)
- **Increased benefits** from cooperation with SGRE

### Electrification

- Exponential growth in **energy intensive data centers**
- Electrification of **industries and everyday live** (e.g. EVs)
- Rise of **decentralized battery storage**

**1** Siemens Energy internal assessment

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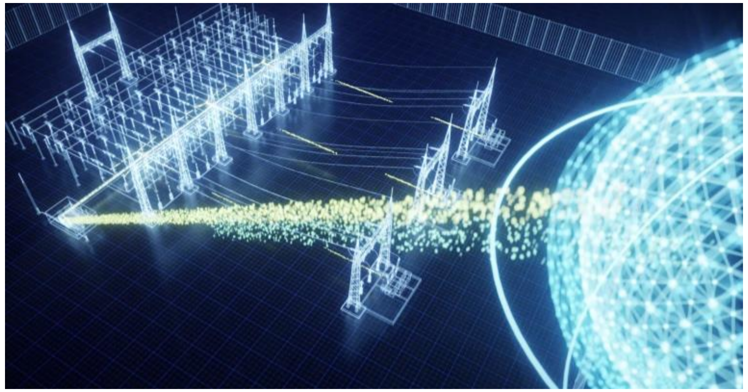
# Our innovation highlights address key market trends

## Digitalization

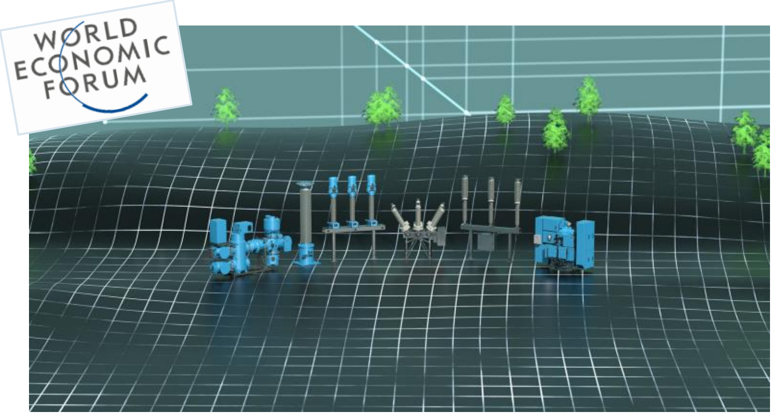
Internet of Energy (IoE)



- SensProducts™ and their digital twins – edge computing and AI
- Transforming high voltage substations into data hubs

## Decarbonization

Ecofriendly transmission system




- Blue portfolio (e.g. $SF_6$-free products) with zero GHG emissions[1]
- Successfully launched and strongly growing

## Grid stability and complexity

Grid resilience and network stability


- Global market leader[2] with HVDC PLUS™ solution (e.g. connect off-shore renewables)[1]
- Pioneer in MMC (PLUS™) technology – delivered first solutions in 2010

**Note:** MMC = Modular Multilevel Converter | **1** Recognized by World Economic Forum as key disruptive innovations from the Energy sector of last decade (Global Innovations from the Energy Sector 2010-2020, May 2020) | **2** Siemens Energy internal assessment based on installed MW capacity for HVDC PLUS™ technology

# Diversified customer base
Built on trust-based relationships

## Key customers by segment

**Generation and transmission (central/decentral)**

Seek fast and reliable partner

**Transmission (TSO/DSO)**

Largest customer group – regulated but open for new technologies

**Industry/ infrastructure**

Unregulated and eager for innovative solutions

*Various tech companies*

- **Tailored** customer solutions
- **Differentiated** offerings
- **Specific** needs of regulated and unregulated customers
- **Top 10 customer account for 25%** of total business[1]

**Note:** TSO = Transmission System Operator, DSO = Distribution System Operator; Shell marks reproduced by permission of Shell Brands International AG | **1** Based on order intake, average FY17-19

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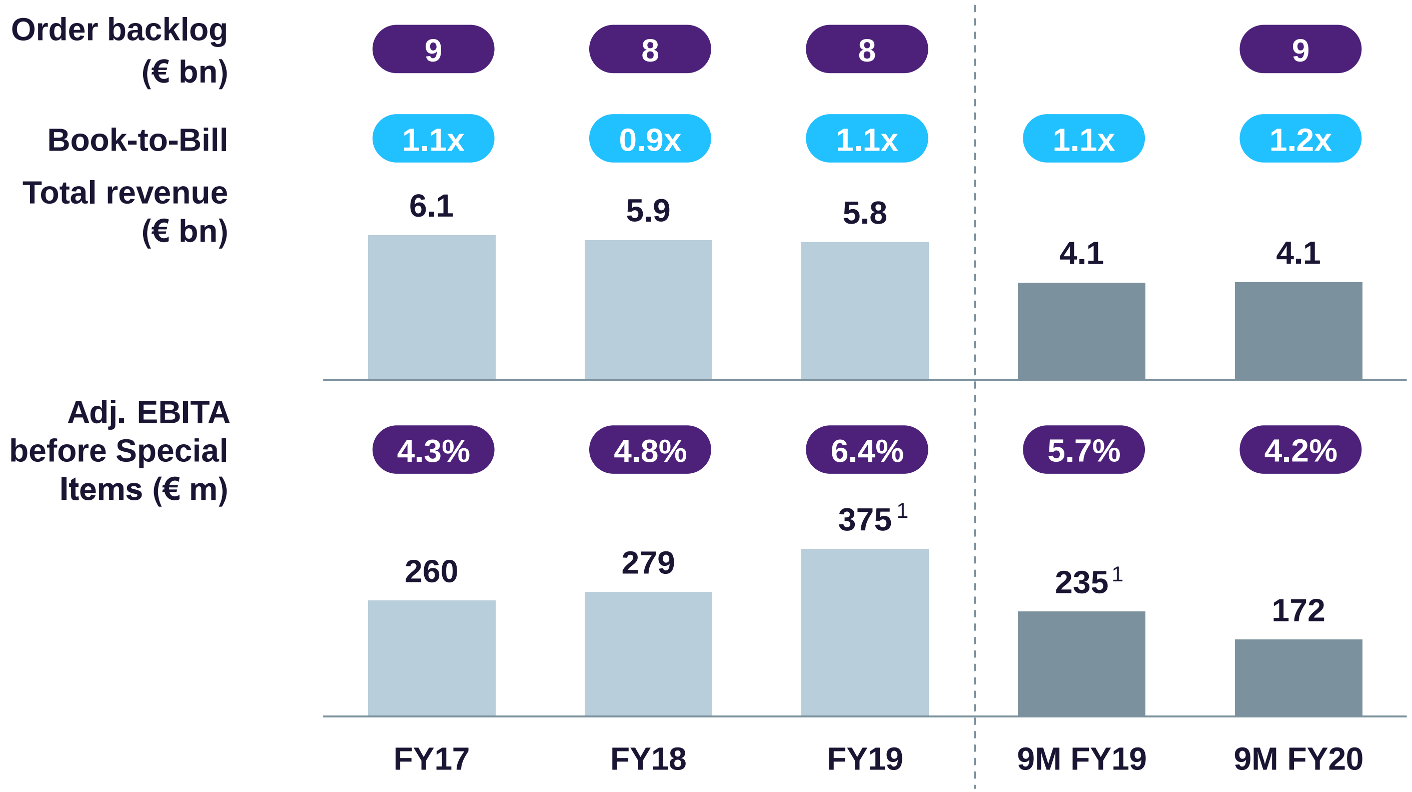
# Recent performance
## Focus on profitability paying off

### Siemens Energy Transmission




**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 | **1** FY19 as well as 9M FY19 includes €55 m gain from disposal. Disposal effects not part of Special Items definition

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**Stable topline development** – higher quality revenue (selectivity in solutions, high-quality product line-up)

Positive **Book-to-Bill** momentum and strong **order backlog** – good demand across products, solutions and systems

**Margin improvement** to industry benchmarks – with headroom remaining

**Only mild COVID-19 impact** – proven resilience as critical infrastructure

# Full focus on value creation
Measures well underway

## Profitability

### Growth

- Capture growth from **renewables** (grid access, complexity) and **electrification** (data centers)
- **Innovative, digital products**
- Differentiated, **environmental friendly portfolio**

### Project excellence

- **Partnering** for non-core project elements – e.g. offshore platforms
- **Standardization of offer and project execution** process in large transmission projects

### Portfolio

- **Focus on systems** in com-moditized substation business
- Global design rules pushing **standardization, modulari-zation**
- Global design platforms to **reduce portfolio variants**

### Cost optimization

- **Fixed cost reduction program** in all factories
- Utilization of **global factory network** reducing delivery risk
- **Cost-out program** targeting SG&A

**Profitability benefitting from already implemented measures**

Conclusion

# We are ...

**1** The #1 transmission player globally
plain and simple

**2** Operating in a growing market
benefiting from the rise of renewables and electrification

**3** At the forefront of innovation
having invested in our products along digitalization, decarbonization, grid stability

**4** On the right path to grow profitably
growing margins with more to come