

Capital Market Day 2020

CEO Section

Christian Bruch, President and
CEO of Siemens Energy



Notes and forward-looking statements (I)



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Our six levers to deliver shareholder value

1

Leader in energy industry

2

Spin-off allows for a step change
in operational performance

3

Leading portfolio in the industry

4

Service business as a core value driver

5

Developing future portfolio with
focus on sustainability and service

6

More EBITA and more cash

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

1

Who we are

2

Where we compete

3

How we deliver

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**Why we are the
right investment**

Globalization

Demographic change

Urbanization

Climate change

Digitalization

are drastically changing
our environment.

At the same time, we expect a ...

>50% increase in global
electricity generation by 2040

And still ...

850 million people
are living without access to electricity

How can we meet the growing demand for electricity while protecting our climate?

This is where we come in.

Our purpose and mission



by supporting our customers in transitioning to a more sustainable world, based on our innovative technologies and our ability to turn ideas into reality.

We are a world leader in energy

Present in
>90 countries

~1/6
of global electricity generation
based on our technology

>50%
decarbonized portfolio

Who we are

The leading pureplay energy company

Our offering

Products
Solutions
Services

Along the value chain

Generation
Transmission
Storage

Broad technology portfolio

From
Conventional
to Renewables

Siemens Energy AG

Gas and Power ("GP")

Generation



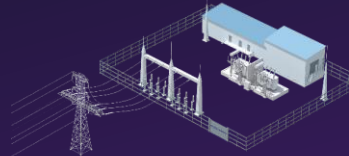
Central

Distributed

Industrial Applications



Transmission



New Energy



Siemens Gamesa Renewable Energy ("SGRE")

67% owned

Onshore



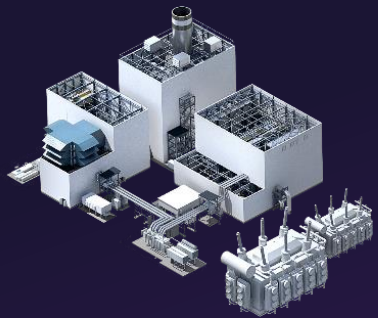
Offshore



Who we are

Our innovative products support customers in transitioning to a more sustainable world

Generation



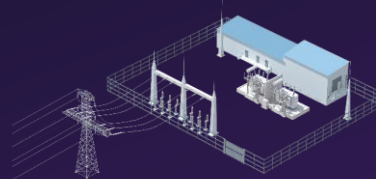
NET ZERO
through hybrid
power plants

Industrial Applications



up to 60%
H₂ capable gas
turbine portfolio¹

Transmission



SF₆-FREE
portfolio that is
market-leading

SGRE



>260 Mt
GHG savings p.a.
to customers

New Energy Business



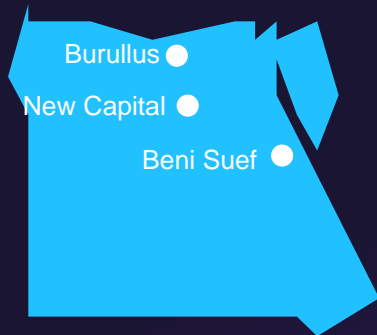
100% H₂
Enabling hydrogen
economy

¹ Up to 60 vol.% dry low emission H₂ capability for SGT-600
2020-09-01

Who we are

Our solution competence helps
to transform societies

Egypt



40 m
people

- **>\$1 bn** annual cost savings
- **3 power plants** gas-fired, combined cycle
- **6 gas-insulated substations**
- Local **service and training center**

Iraq



38 m
people

- **11 GW** being added to national grid
- **13 substations** and **35 power transformers**
- **500 MW** gas-fired power plant

Bolivia



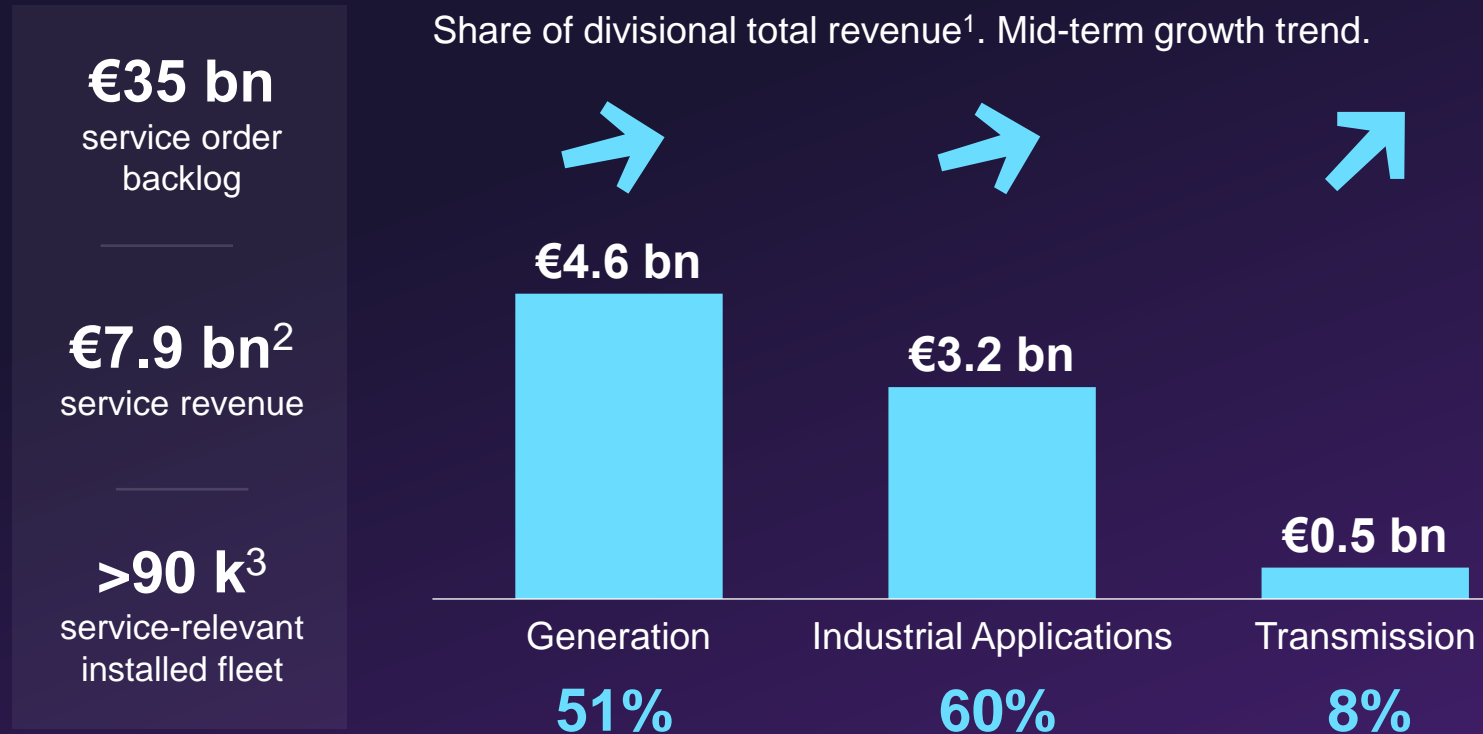
11 m
people

- **>1 GW** added to local grid
- **23 SGT-800 gas turbines** and **11 SST-400 steam turbines**
- **25 transformers**
- Local **service and training center**

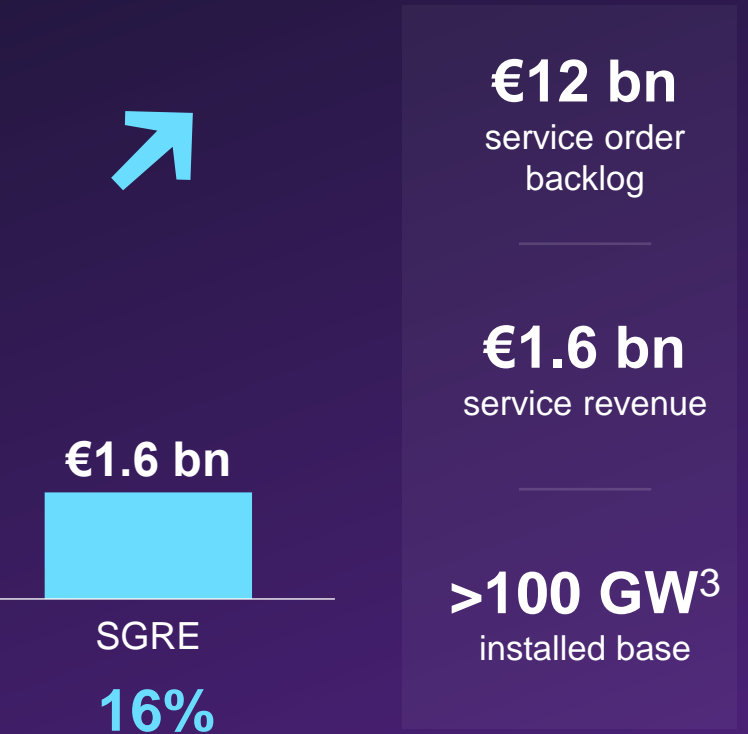
Who we are

Our market-leading services are the core for future value creation

Gas and Power



SGRE



All figures FY19, if not otherwise stated

¹ Service share calculated as division's service revenue divided by division's total revenue before intra-group consolidation and reconciliation

² €(0.3) bn reconciliation of divisional revenues to Gas & Power | ³ As of June 30, 2020

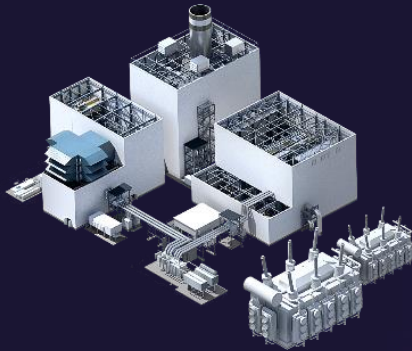
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Who we are

We lead the market across all our businesses

Market
position¹

Generation



#2 | #1

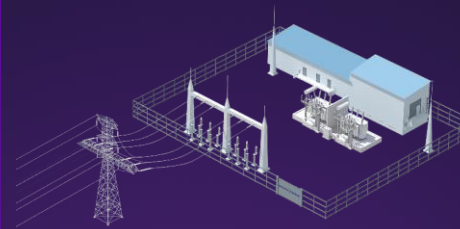
Central² | Distributed²

Industrial Applications³



#2

Transmission



#1

SGRE



#3 | #1

Onshore⁴ | Offshore⁴

¹ For Gas and Power based on Siemens Energy internal market assessment for FY2019 in addressed markets | ² Market position in terms of number of units ordered for large gas turbines (central) and industrial gas turbines (distributed); industrial steam turbines in terms of order intake in € (distributed). Distributed relates to gas turbines <100 MW and steam turbines <250 MW | ³ Based on market value for new equipment in addressed markets | ⁴ Based on Wood Mackenzie ("Global Wind Turbine OEM 2019 Market Share"). Onshore position excluding China. Market positions for wind turbine suppliers are based on installed (China) and grid-connected (all other countries) new wind capacity for calendar year 2019

2020-09-01

Who we are

A strong portfolio in energy technology with a clear plan for each division

SGRE 35%¹

- Turn-around onshore
- Capture offshore growth and service opportunity
- Realize synergies with Siemens Energy

Transmission

- Benefit from infrastructure change due to energy transformation
- Continue in HVDC projects
- Increase new product development

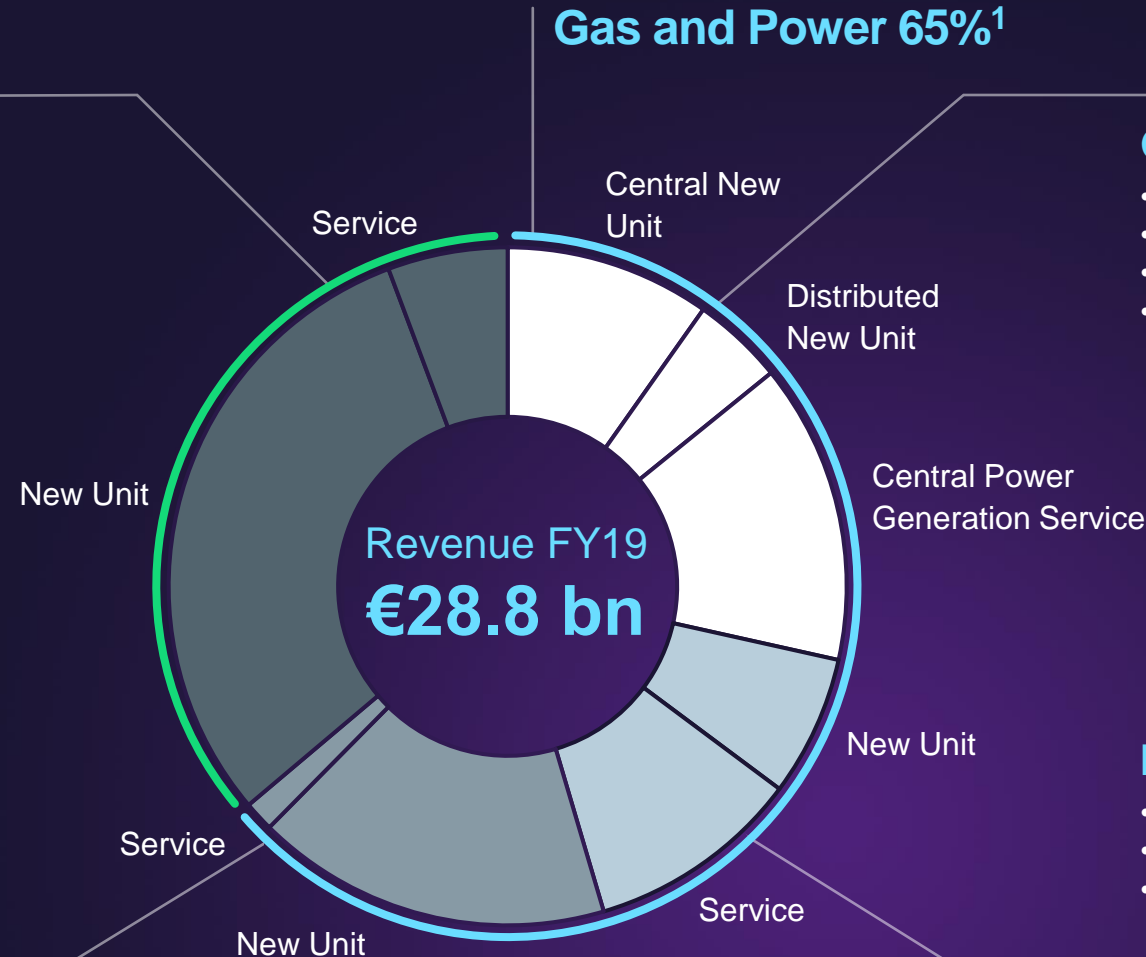
Gas and Power 65%¹

Generation²

- Reduce structures and costs
- Selectivity and NCC reduction
- Central: Harvest service
- Distributed: Deliver profitable growth

Industrial Applications

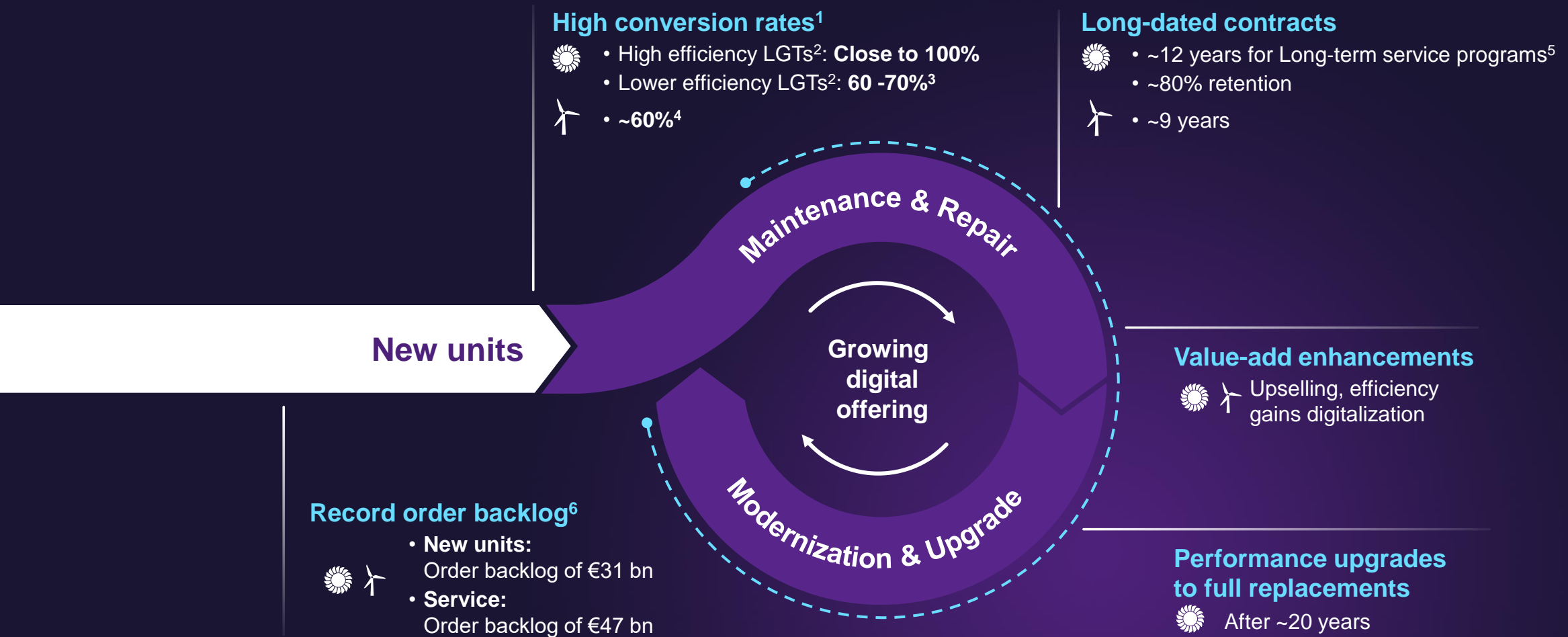
- Reduce structures and costs
- Selectivity and NCC reduction
- Harvest service



¹ Based on total segments revenue | ² Revenue shares: Central New Unit 10%, Distributed New Unit 4%, Central Power Generation Service 14% based on total revenue splits calculated before intra-group consolidation and reconciliation effects

Who we are

Products and solutions drive our highly resilient service business



¹ Percentage of new unit projects sold together with service agreements | ² Turbine classes: High efficiency (HL, H, SGT-800), lower efficiency (F, E) | ³ Renewal rate: 60% (estimate), target of 70% by 2020 | ⁴ Represents capture rate of own fleet (serviced fleet compared to total installations) | ⁵ Does not include re-negotiations | ⁶ Based on FY19

2020-09-01

1

Who we are

2

Where we compete

3

How we deliver

4

**Why we are the
right investment**

Where we compete

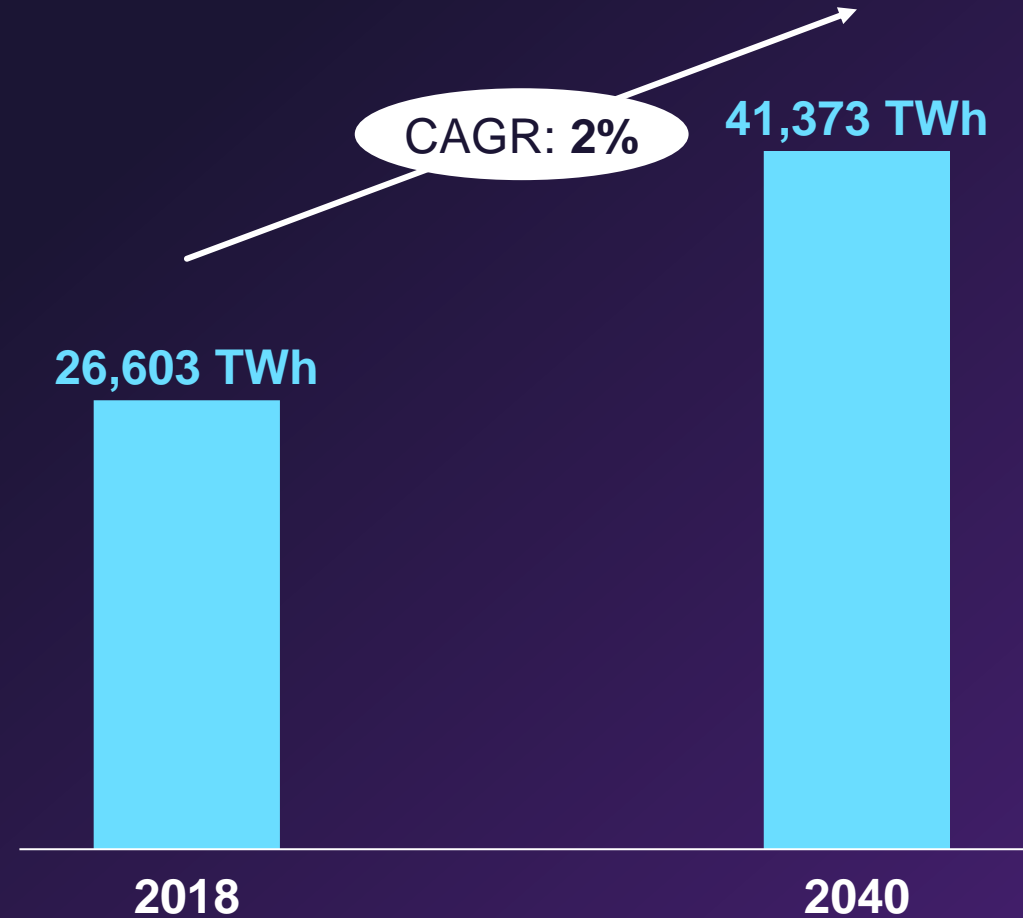
The world needs more electricity

Growing electricity market (in TWh)¹

- Increasing electrification of industries²
- 850 million people globally without access to electricity
- New electrical consumers (data centers, e-mobility)

¹ Source: IEA (Stated Policies Scenario)

² Relates to electricity generation



Where we compete

The energy market is in the process of transformation

Shift of re- source base¹

2018-2040



Wind



Solar



Gas



Nuclear



Hydro



Coal



Oil



Our expectations

Growing share
of renewables

Gas remains a key enabler in the energy
market, increasing decentralization

Reduction
in coal

1

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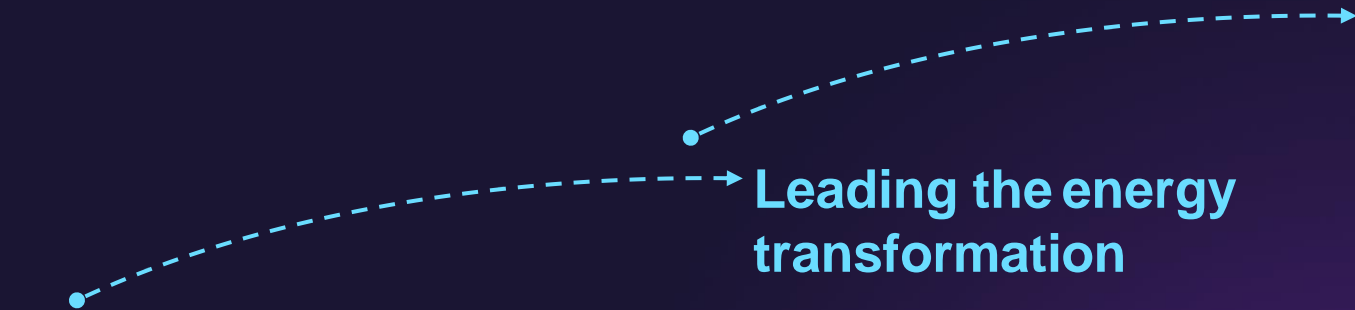
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**Why we are the
right investment**

How we deliver

Our company program Energy of Tomorrow

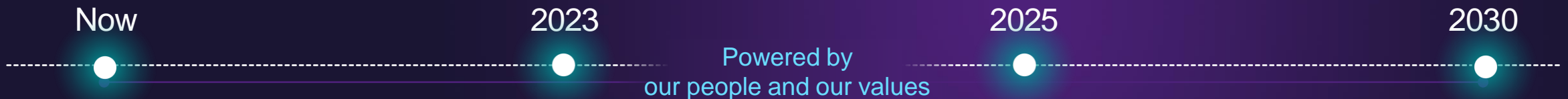
Improving existing business and driving transformation



Accelerating Impact

- Focus and deliver on the fundamentals
- Co-create innovations with customers and partners
- Starting the energy transformation

- Most valued energy technology company
- Electrifying countries and communities
- Act as data-driven company



CEO focus



Performance

Rigorously following up on operational performance



Organization

Clear accountabilities, lean structures,
right people at right place



Portfolio

Make hard choices on underperforming portfolio elements



Innovation

Clear R&D allocation towards tangible
returns and longer-term potentials



Customers

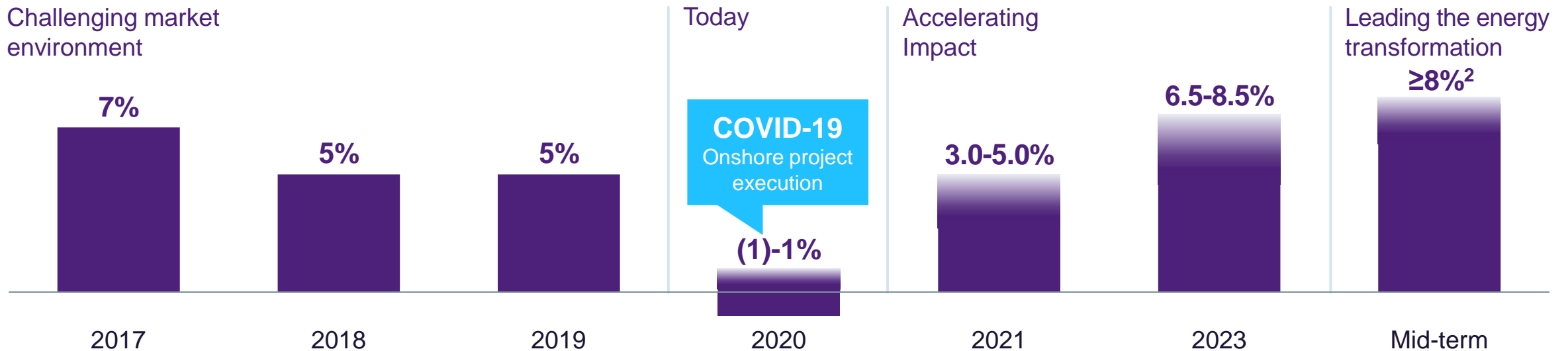
Customer focus (“walk the talk”), co-creating
projects and solutions

How we deliver

We strengthen our operational performance through a more competitive organization



Margin development (Adj. EBITA margin before Special Items)¹



Drive EBITA and cash focus

- Resize footprint and portfolio
- Reduction of non-conformance cost
- Improve gross margins in project business
- Build capabilities in best-cost countries



How we deliver

New company programs launched at Gas and Power and SGRE to accelerate profit improvements

Gas and Power

Annual gross cost savings by FY23
PG2020 and GP2020+¹

Accelerating Impact

SGRE

LEAP

Realized savings

~€500 m



Offset by lower
business volume

Savings to come

>€500 m

Full impact on
bottom line

Already identified

- Reshaping footprint
- Portfolio streamlining
- Project excellence
- Supply chain excellence

€1 bn target as per CMD 2019



>€300 m

Focus on
implementation

Innovation

Productivity and
Asset Management

Operational
Excellence



How we deliver

We implement an incentive system geared to shareholder value

Executive Board compensation

Long-term variable

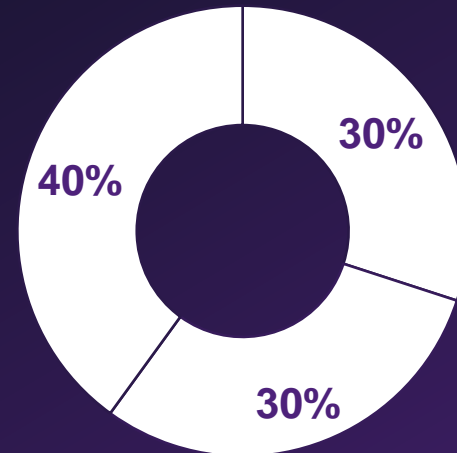
(Stock awards, 4-year vesting)

- 40% Total shareholder return
- 40% EPS
- 20% ESG criteria

Short-term variable

(Cash)

- 1/3 Adj. EBITA margin
- 1/3 ROCE
- 1/3 Individual targets (e.g., cash/non-financial targets)



Base
(Cash)

Ownership Culture

Executive Board

to hold 200% resp. 300%
of base pay as stock

Whole organization

Company wide incentive
program linked to share price
performance

How we deliver

Digitalization as a value driver



New digital revenue

New Growth

- **Software as a service** (recurring revenue model)
- **Asset agnostic offering**
- Example: Omnivise offering, e.g., Cybersecurity

Increasing the value of our offering

Enrich Offerings

- Combining **domain expertise** with **digital expertise**
- **Differentiating** our offering
- Example: Remote Services

Internal digitalization

Transform the Core

- **Automation of processes**
- Strengthen **digital backbone**
- Example: Digitalized outage processes





How we deliver

Active portfolio management

Ongoing review of portfolio elements with focus on market outlook and profitability

Example

Aeroderivative Gas Turbines

- Streamlining offering¹
- Service of installed base will continue

Further portfolio shift towards sustainability and value assessment

Example

Coal

- Currently reviewing options to exit from coal business
- Keeping to our customer commitments
- Will continue to provide services to existing plants to reduce CO₂ footprint

¹ We no longer actively market our larger sized Aeroderivative Gas Turbines



How we deliver

Driving R&D with focus on tangible returns and longer-term potentials

Key facts¹

€1 bn

R&D spend

~5,000

R&D employees

~24,200

single patents and
utility models

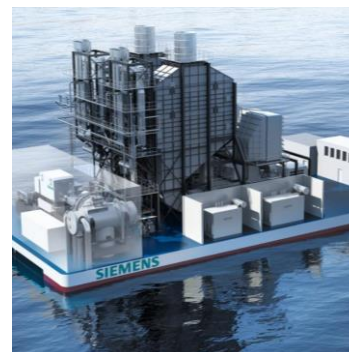
Future R&D strategy

Strict capital return
criteria for allocation

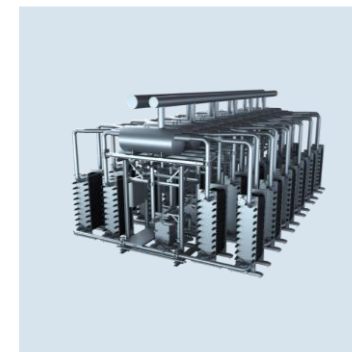
Focus areas: Service
and sustainability

Co-creation and
partnering in innovation

Selected R&D examples



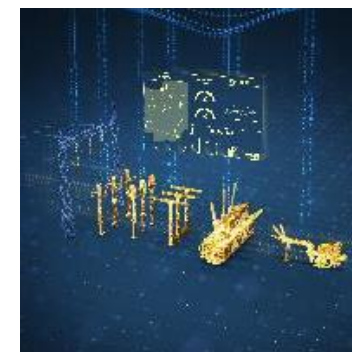
~145 MW of
floating power
to Dominican
Republic



Electrolyzer:
>75%
system
efficiency



Additive
Manufactu-
ring drives
productivity



SensPro-
ducts™: IoT
connected
grid

¹ R&D spend and employees as of FY19; number of single patents and utility models as of June 30, 2020
2020-09-01



How we deliver

Adding value to customers by combining offers across our divisions

Combine turbine competence with green hydrogen innovation

Uniper | Customer need:
Decarbonize existing assets



- Upgrading gas turbines for hydrogen co-firing with integrated storage
- “Brownfield transformation” projects to decarbonize power plants

“Climate-friendly gas will be a major step towards successful energy system transformation.”
CEO Andreas Schierenbeck

Oil & Gas industry knowledge leveraged with transmission leadership

Equinor | Customer need:
Reduce CO₂ footprint in oil production



- Cutting carbon emissions by electrifying O&G processes
- Developing cost-effective “power-from-shore” solutions with grid stability

Contribution to reduce emissions equivalent to emissions of 130,000 cars

Unique offshore capability in transmission and wind

EnBW | Customer need: Cost efficient implementation of high efficiency equipment



- Combined delivery of offshore transformer modules (OTM) and wind turbines
- Implement OTMs that are small & lightweight for single pile installation

>30% weight and size reduction vs. conventional AC substations



How we deliver

SGRE is core element for Siemens Energy to support customers on their journey to energy transition



¹ Source: Wood Mackenzie, "Global Wind Turbine OEM 2019 Market Share", for calendar year 2019 based on new installed capacity | ² Source: Wood Mackenzie, "Global Wind Power Market Update: Q2 2020", based on annual capacity additions (in GW) 2020-09-01

Synergistic relationship

- **Procurement pooling**
- **Go-to market synergies**
Key account management and regional support
- **Strategic collaboration and combined offerings**
Transmission, Service Business, Hydrogen, Storage, etc.



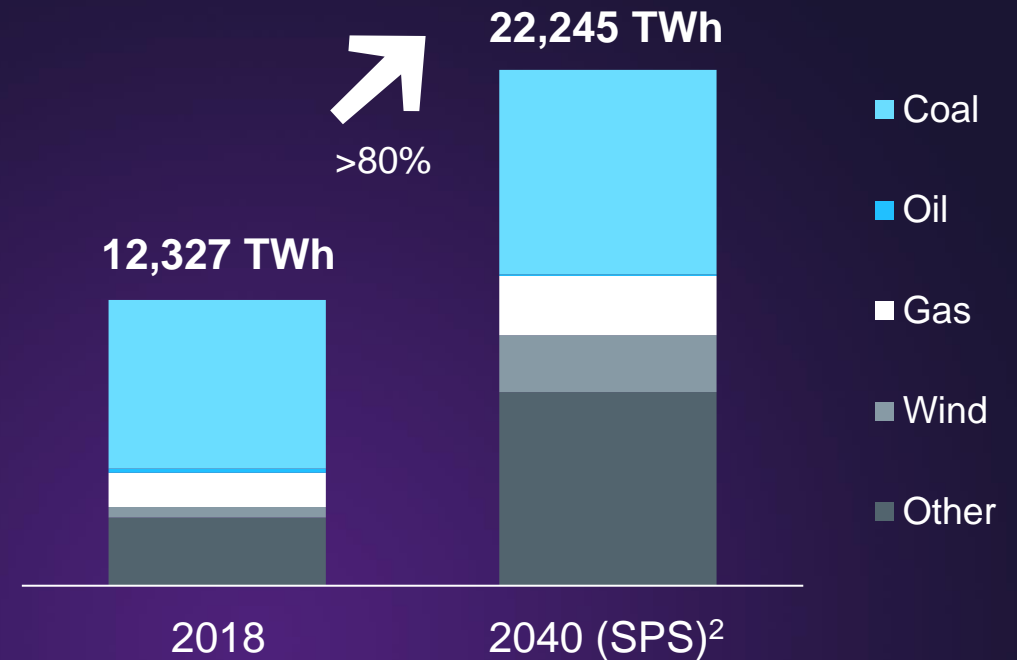
How we deliver

Seizing opportunities in growth regions

Example: Asia Pacific¹



- **Nuclear/coal to gas shift**
Opportunities for highly efficient gas turbines (e.g. HL class in South Korea)
- **Grid development**
Partner of choice for transmission system development (e.g. UHVDC in China)
- **Growing share of wind**
Utilization of full potential as leading global OEM (e.g. Taiwan and Australia)
- **Industrial growth**
Strong position in decentral power generation and grid connection
- **Technology partnership**
For large gas turbines (UGTC in China)



How we deliver

Sustainability will be at the core of our actions



Our mission

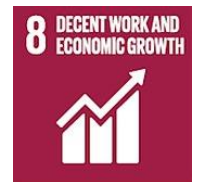
Supporting our customers in transitioning to a more sustainable world, based on our innovative technologies and our ability to turn ideas into reality

Management commitment

Climate neutral	in own operations by 2030
Green electricity	100% of own power consumption by 2023
Gender diversity	25% by 2025 30% by 2030 (females in management level 1 and 2)
Safety leader	leading safety performance in our industry

Committed to UN SDGs

SUSTAINABLE DEVELOPMENT GOALS





How we deliver

We drive operational excellence to become leaner, faster and sharper in achieving our results

Gas and Power examples

Share of revenue from service







Share of revenue from Asia, Australia

of manufacturing sites²

Best-cost country share in workforce

R&D centers²/locations

Publicly funded projects with customer co-development

Today ¹	Future
42%	
18%	
75	
<25%	
15/>90	
<5%	

1

Who we are

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**Why we are the
right investment**

Our six levers to deliver shareholder value

- 1 Leader in energy industry
- 2 Spin-off allows for a step change in operational performance
- 3 Leading portfolio in the industry
- 4 Service business as a core value driver
- 5 Developing future portfolio with focus on sustainability and service
- 6 More EBITA and more cash



We are #TeamPurple #WeEnergizeSociety

