Capital Market Day 2020

Industrial Applications Section
Jochen Eickholt, 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
Creating customer value across the value chain

Order intake split

<table>
<thead>
<tr>
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<th>35%</th>
<th>15%</th>
<th>20%</th>
<th>30%</th>
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<tbody>
<tr>
<td>Industries</td>
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<tr>
<td>Down-stream</td>
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<tr>
<td>Mid-stream</td>
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<tr>
<td>Upstream</td>
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Process Industries

Unique, integrated **R-EAD** (Rotating – Electrical, Automation, Digitalization) portfolio

Service: revenue share of **60%** with **>79 k** installed fleet

**Note:** Shell marks reproduced by permission of Shell Brands International AG; R-EAD = Rotating (compression, power generation) – Electrical, Automation, Digitalization | 1 Rotating equipment (aeroderivative and industrial gas turbines, generators, compressors and industrial steam turbines) | 2 Aeroderivative and industrial gas turbines, generators, compressors and industrial steam turbines based on customer allocation to market segments classified by Siemens Standard Industrial Code

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Strong presence beyond oil and gas

**Upstream**
Onshore and offshore drilling, conventional and unconventional production and processing

**Midstream**
LNG, gas and liquid pipelines and underground gas storage

**Downstream**
Compression for refining, petrochemical applications and power generation

**Industries and Process Industries**

- **Distributed Generation (Service)**
  Service of entire Siemens Energy distributed generation fleet across municipalities, IPPs, industrial customers

- **Marine**
  Commercial and special vessels, naval surface vessels and submarines

- **Metals and Mining**
  Blast furnace and direct reduced iron

- **Fiber**
  Pulp, paper, boards and tissues process plants

- **Air Separation**
  Separation of atmospheric air for industrial use (nitrogen, oxygen, noble gases)

- **Chemicals**
  Fertilizer applications, synthetic fibers, chlorine gas and production of chemicals

**Our core offerings**

**R-EAD solutions, systems and services**

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**Note:** R-EAD = Rotating (compression, power generation) – Electrical, Automation, Digitalization; IPP = Independent Power Producers

2020-09-01
Siemens Energy Industrial Applications by numbers

Siemens Energy total revenue (FY19)

- ~18% Share of Siemens Energy total revenue
- €28.8 bn

Industrial Applications total revenue (FY19)¹

- €5.1 bn
  - New Unit²
  - Service

Key figures (FY19)

- €11 bn Order backlog
- €6.8 bn Orders
- €5.1 bn Total revenue
- ~17 k Employees

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

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Siemens Energy Industrial Applications
Who we are

**Positioning**

Leading market positions with diversified customer base across industries and regions

**Service**

Highly resilient and growing service business reinforced by strong partnerships with customers

**Innovation**

Leading innovations in additive manufacturing, digitalization and decarbonization

**Value**

Value generation by ambitious cost-out programs, footprint consolidation, portfolio streamlining and service-led growth
Leading market positions across our offer spectrum

Products
- Small industrial and aeroderivative gas turbines (SGT, AGT)
- Turbo and reciprocating compressors
- Power generation and compressor packages (integrating AGT, SGT, MGT, IST, generators)

Solutions
- Electrical, Automation, Digitalization
  - EAD solutions for Onshore-, Offshore, Subsea, Marine, Fiber
  - Process safety and industrial security
  - Water treatment solutions

Service
- Modernizations and upgrades
- LTP, O&M
- Spare parts, repairs, field services
- EAD services

Note: Market position related to addressed market according to Siemens Energy internal assessment for FY19, for Products and Solutions based on market value for new equipment in €; AGT = Aeroderivative Gas Turbine; EAD = Electrical, Automation, Digitalization; IST = Industrial Steam Turbine; LTP = Long-Term Service Program; MGT = Medium Gas Turbine; O&M = Operation and Maintenance; SGT = Small Gas Turbine

1. Medium gas turbines, generators, industrial steam turbines fully sourced from Generation division
2. Share in percent of total revenue FY19
3. Leading provider for our service-relevant fleet of 79 k rotating equipment units

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Balanced business mix across customers, industries and geographies

Order intake

By customer volume:
- >5,000 customers: 80%
- 20%

Top 15 accounts

By industry:
- Industries: 35%
- Upstream: 30%
- Downstream: 15%
- Midstream: 20%

By region:
- Americas: 37%
- Europe, Africa: 36%
- Asia, Australia: 17%
- Middle East: 10%

1 Order intake, average of FY17-19 | 2 Order intake, FY19
Our end markets are growing

**Industries**
- Global **GDP growth** drives demand in **industrial markets** esp. chemicals, marine, fiber, air separation
- **Increasing switch to gas** facilitating growth in distributed generation services

**Downstream**
- Decline in **refining** (lower new capacity, shift to gas, renewables)
- Growth in **petrochemicals** (emerging markets, North America)

**Midstream**
- LNG market coming off **historic 2019 peak**
- Partly offset by **robust growth** in pipelines (long-term and strategic nature)

**Upstream**
- **Growth in Onshore** driven by gas-related projects
- **Growth in Offshore** (incl. FPSO and Subsea) after years of weak activity
- Increased focus on **decarbonization** of O&G operations

**Source:** SE Common Market Model 2020; Siemens Energy internal assessment | **Note:** FPSO = Floating Production, Storage and Offloading | 1 Siemens Energy internal assessment; for new equipment, based on expected order intake potential (in €) for relevant project scope; for services, based on revenues/potential future revenues

2020-09-01
We are strongly positioned in all key regions

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<tbody>
<tr>
<td>Americas</td>
<td>#2</td>
<td>8.2</td>
<td>1.1%</td>
<td>#2</td>
<td>8.8</td>
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<tr>
<td>Europe, Africa</td>
<td>#2</td>
<td>8.8</td>
<td>1.5%</td>
<td>#2</td>
<td>9.6</td>
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<td>Middle East</td>
<td>#1</td>
<td>2.1</td>
<td>2.2%</td>
<td>#2</td>
<td>2.4</td>
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<tr>
<td>Asia, Australia</td>
<td>#2</td>
<td>6.1</td>
<td>3.7%</td>
<td>#2</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Source: Siemens Common Market Model 2020 | Note: Market position related to addressed market according to Siemens Energy internal assessment for FY19, for Products and Solutions based on market value for new equipment in €; FPSO = Floating Production, Storage and Offloading
We run a highly resilient lifecycle business model

Unique, integrated portfolio
R-EAD
Innovative, reliable and safe rotating equipment (e.g. turbines, compressors), integrated systems¹ and EAD solutions

Long-term programs
Share of gas turbine LTPs in total order backlog²
~50%

Long-lasting partnerships
Number of customers with active frame agreements²
~300

Products and Solutions

60%
Service share of revenue²

Maintenance and Modernization³
Largest installed fleet:
>79 k units⁴

Digitalization and Decarbonization

Consistently implement value driven innovation
Share of total revenue invested in R&D²
~4%

Note: R-EAD = Rotating (compression, power generation) – Electrical, Automation, Digitalization
¹ Power generation and compressor packages (integrating AGT, SGT, MGT, IST, generators)
² FY19 | 3 Maintenance refers to spare parts, repairs, overhauls, field services, program business
³ Rotating equipment (aeroderivative and industrial gas turbines, generators, compressors and industrial steam turbines)

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Strong track record and momentum in our service business

Track record of growing and improving our service business

Build-up of largest installed fleet via organic growth and buy-and-build (Dresser-Rand and Rolls-Royce Energy)

Service orders

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY19</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>4.0</td>
<td>4.2</td>
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Service order backlog

<table>
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<tr>
<th></th>
<th>FY17</th>
<th>FY19</th>
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<tbody>
<tr>
<td></td>
<td>6</td>
<td>8</td>
</tr>
</tbody>
</table>

>79 k units\(^1\)

Service share of revenue

60%

- Full integration of acquired fleet realizing synergies and margin uplift
- Coverage of entire distributed generation fleet (including all industrial gas and steam turbines)
- Strong service momentum with growing orders and strong backlog

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\(1\) Rotating equipment (aeroderivative and industrial gas turbines, generators, compressors and industrial steam turbines)

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Innovation leader in additive manufacturing, digitalization and decarbonization

Additive Manufacturing front runner

>1.2 m operating hours of additive manufacturing parts in turbines; first OEM to 3D print hot gas path components (SGT-800)

Extension of laser metal deposition for repairs reduces lead time by 50% with further improved lead time from digitized OCT

Delivering on digitalization

Topsides 4.0 Digital: Improvement in availability up to 3% and reduced offshore manning

SIPAPER Digital Fiber™ Suite: Pre-integrated digital solution increases production capacity while reducing energy consumption up to 7%

Helping customers to decarbonize

SGT-800 upgrade delivers:
+10 MW extra power
+3.5% efficiency (SC)

H₂ capability in compressor and gas turbine portfolio; up to 60% for SGT-600

Higher customer value-add and cost and cash efficiencies

Note: SC = Simple Cycle; OCT = Order Configurator Tool

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Our innovations in action
Differentiated value to our customers

**H₂ co-firing turbine**
- Additive manufactured gas turbine burners
- Continuous H₂ in the fuel mix with dry combustion
- Reduced emissions and water consumption
- Build, Own, Operate project

**Gas turbine brownfield exchange**
- Reduced fuel and emissions
- Increased efficiency
- Lower total cost of ownership
- Optimized brownfield project execution through collaborative partnership

**BlueVault™ and DC power grid**
- Reliable, hybrid or all-electric propulsion solutions applying advanced Li-ion battery-based energy storage
- Reduced fuel consumption
- Lower emissions

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1 BASF – CO₂ emissions per MWH of electricity compared to average for German grid
2020-09-01
Recent performance
Topline turnaround achieved, profitability addressed

### Siemens Energy Industrial Applications

<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>9.0</td>
<td>9.0</td>
<td>11.0</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>Book-to-Bill</td>
<td>1.1x</td>
<td>1.2x</td>
<td>1.3x</td>
<td>1.3x</td>
<td>1.2x</td>
</tr>
<tr>
<td>Total revenue (€ bn)</td>
<td>5.6</td>
<td>5.2</td>
<td>5.1</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Adj. EBITA before Special Items (€ m)</td>
<td>453</td>
<td>428$^1$</td>
<td>217$^1$</td>
<td>135</td>
<td>127</td>
</tr>
<tr>
<td></td>
<td>8.1%</td>
<td>8.3%</td>
<td>4.3%</td>
<td>3.7%</td>
<td>3.3%</td>
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**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 Positively impacted in FY18 (€165 m) and negatively in FY19 (€54 m). Disposal effects not part of Special Items definition

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**Positive order backlog** development supporting **stable revenue trend**

Maintaining **strong Book-to-Bill** levels above 1 despite market headwind

Cost base hit by **overcapacities** – holistic restructuring program underway

COVID-19 impact on FY20 YTD – **partial catch-up in FY21**

9M FY20 excludes **AGT intangible impairment** (majority of €701 m related to Gas and Power strategic portfolio decisions)
Full focus on value generation

### Profitability

<table>
<thead>
<tr>
<th>Growth</th>
<th>Footprint</th>
<th>Project excellence</th>
<th>Portfolio</th>
<th>Cost optimization</th>
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</thead>
<tbody>
<tr>
<td>• Service-led growth</td>
<td>• Elimination of overcapacity and complexity</td>
<td>• Project management excellence reducing NCCs and complexity</td>
<td>• AGT – streamlining offering¹</td>
<td>• Cost outs targeting SG&amp;A efficiencies</td>
</tr>
<tr>
<td>• Growing share of industries</td>
<td>• 20+ sites closed since Rolls-Royce Energy and Dresser-Rand acquisition</td>
<td>• Supply chain excellence</td>
<td>• Compressors – Consolidate platforms, selective rationalization</td>
<td>• R&amp;D effectiveness monitoring to optimize investments</td>
</tr>
<tr>
<td>• Helping customers to decarbonize</td>
<td></td>
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<tr>
<td>• Delivering on digitalization</td>
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</table>

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

**Note:** AGT = Aeroderivative Gas Turbine | ¹ Larger sized Aeroderivative Gas Turbines no longer actively marketed

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Conclusion

We are ...

1. Much more than oil and gas
   ~50% of order intake from Industries and Process industries

2. Market leaders across our spectrum
   #1 or #2 positions

3. A service powerhouse
   60% of total revenue

4. An innovation leader
   Helping our customers to decarbonize

5. On a clear path to profitable growth
   Full fledged reorganization and restructuring