SIEMENS energy

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

#2 globally

#1 globally

Business segments

Central generation >100 MW[1]

Distributed generation <100 MW[1]

Service – of our large generation fleet (>100 MW)

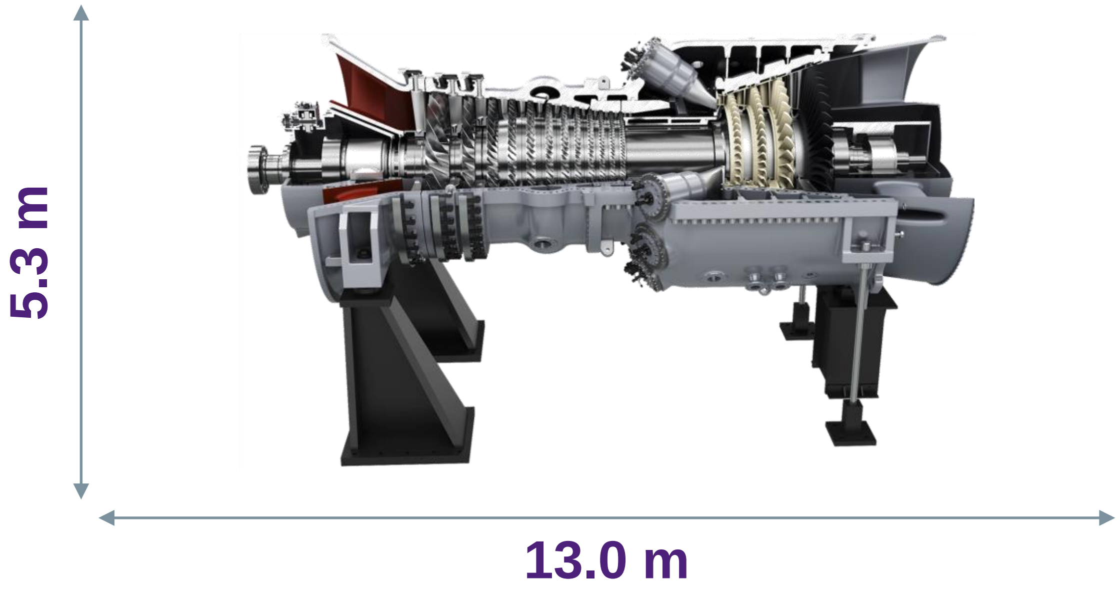
Customer groups[2]

~30%		~20%	~20%	~30%
Utilities	**Municipalities**	**IPPs**	**EPCs**	**Industries**

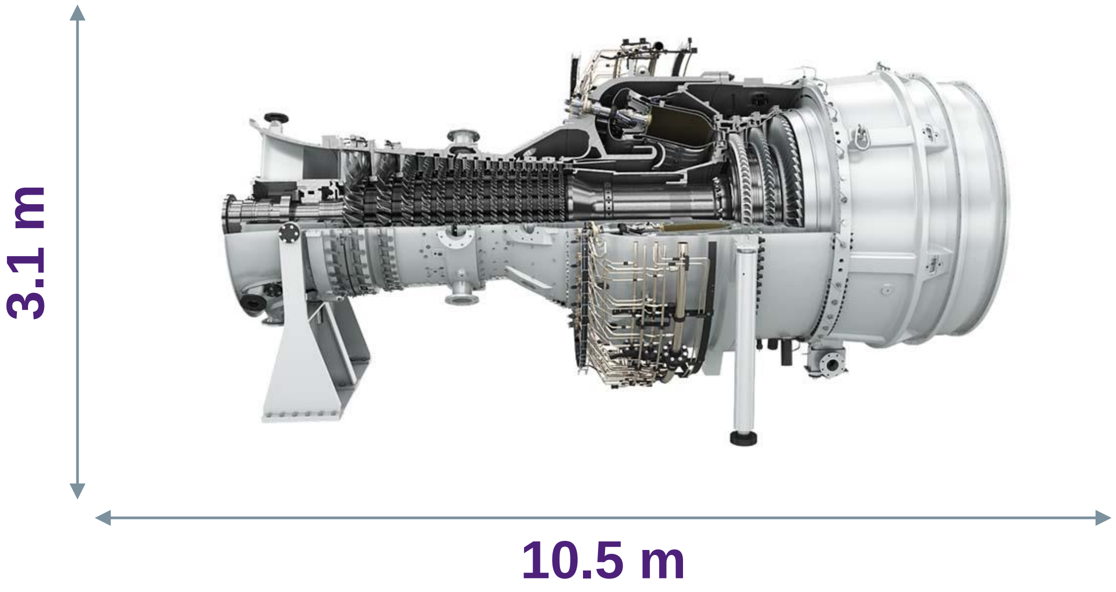
Note: Market position related to addressed market according to Siemens Energy internal assessment for FY19; IPP = Independent Power Producer; EPC = Engineering, Procurement, Construction | **1** Gas Turbines; Steam – Central: >250 MW, Steam – Distributed: <250 MW | **2** Split based on order intake with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

Snapshot
Our SGT5-9000HL and SGT-800

SGT5-9000HL heavy-duty gas turbine



SGT-800 industrial gas turbine



Power output of up to **593 MW**

Powering **3.3 m people**

CO_2 savings equivalent to **1 m cars**[1]

Power output of up to **62 MW**

>400 turbines sold

Capability to burn H_2 of up to **50%**

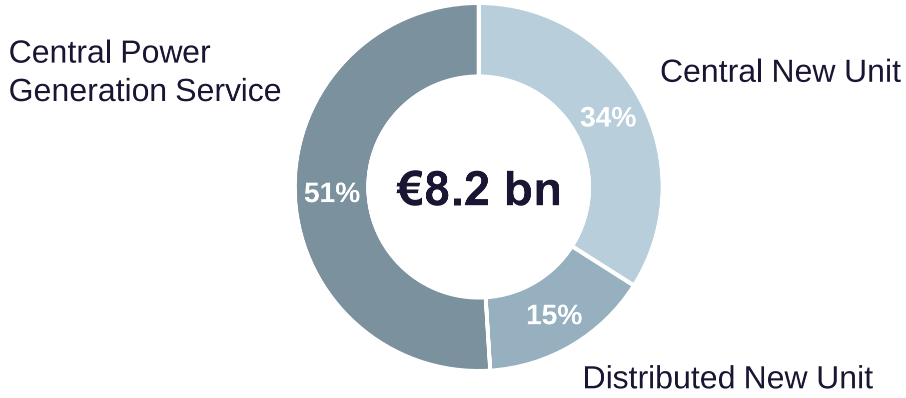
1 Compared to coal-fired power plants: 3.7 Mt CO_2 savings per year; equal to 1 m mid-range cars clocking up 17,500 km a year

Siemens Energy Generation by numbers

Siemens Energy total revenue (FY19)

~28%
share of Siemens Energy total revenue

Generation total revenue (FY19)[1]



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

2020-09-01

Key figures (FY19)

€33 bn
Order backlog

€8.6 bn
Orders

€8.2 bn
Total revenue

~27 k
Employees

Siemens Energy Generation
Monetizing our powerful market position and service business

Positioning

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

Service

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

Energy transition

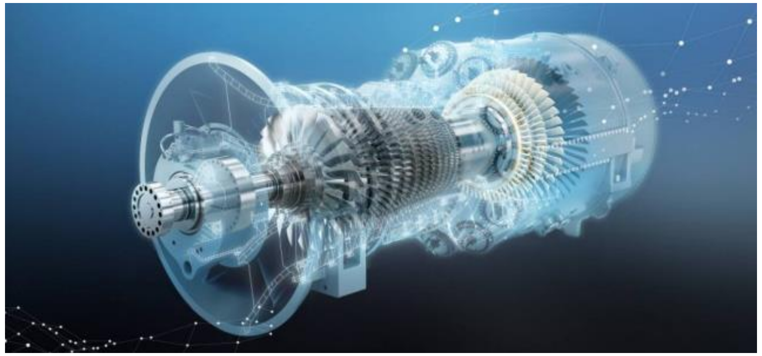
Driving the energy transition by **distributed** offering and innovations in **decarbonized** energy systems and **digital**

Value

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



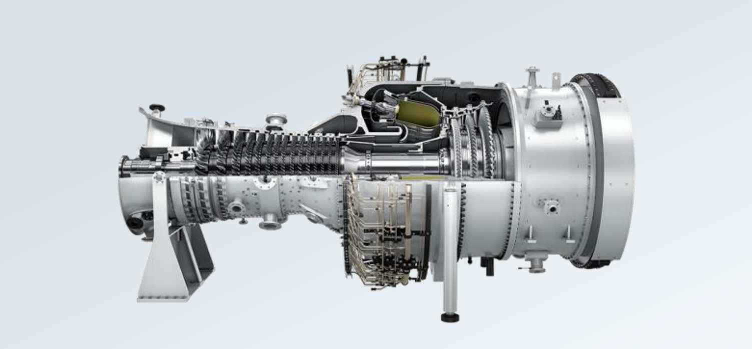
#2

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

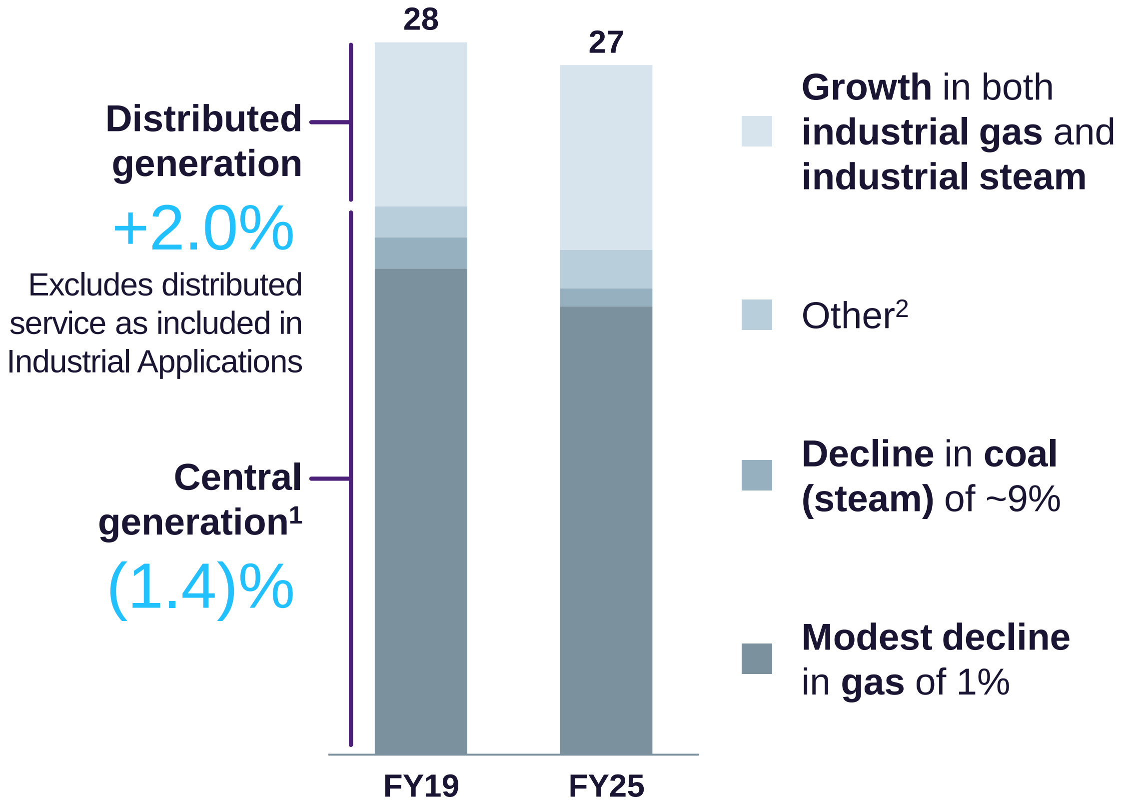
	Europe	Middle East[1]	Americas	China	APAC
Generation share of fleet[2]	~20%	~30%	~30%	~15%	~25%
Local needs	Decarbonization	Power to society	Coal to gas and gas to power	Coal to gas	Nuclear to gas
Generation offering/value proposition	**Germany Marl Project** High CHP efficiency	**Egypt Roadmap** Joint development	**US Lincoln County** HL³ intro and partnership	**UGTC** Technology partnership	**Korea HL Market Intro** Highly efficient solution
					

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

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**

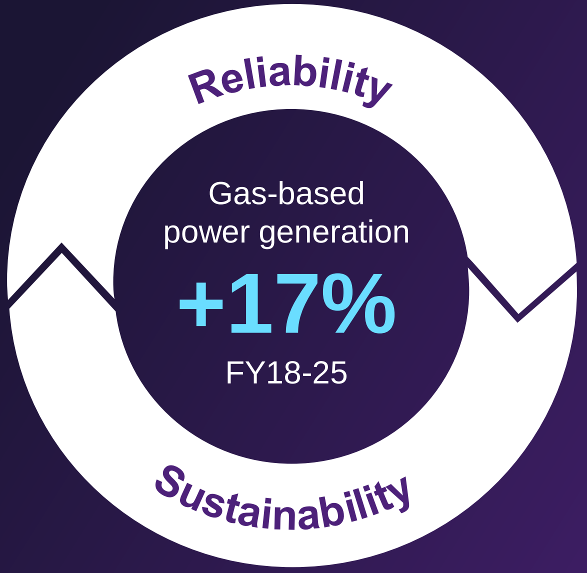
Our addressable market (in € bn, CAGR)



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

Gas will remain a key technology and decarbonization enabler

Gas to Power
Backbone of a reliable energy system



Power to Gas
Storing electricity from renewables

Our tailored offerings

- **New gas power plants –** Highly efficient and reliable, CCPP and CHP applications
- **Coal to gas –** Increase efficiency up to 25 pp[1], reduce CO_2 emissions
- **Shift to hydrogen –** H_2 co-firing
- **Brownfield engine exchange –** Reduce CO_2 emissions
- **Hybrid solutions –** Low to zero carbon emissions, integration of renewables, H_2 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

Efficiency, performance, emissions
We have a leading technology platform

	Large gas		Industrial gas	Industrial steam
	F-Class	H/J-Class[2]	SGT-800	SST-700/900
Ambition	Improve performance and defend #1 position	Establish our competitive next generation gas turbine	Expand market lead further	Maintain leadership in fragmented market
Market position (FY19)[1]	#1	#2	#1	#1
Customer story	K-ELECTRIC Energy That Moves Life	sse	B.GRIMM SINCE 1878	TOYO ENGINEERING
	Bin Qasim III, Pakistan	**Keadby 2, UK**	**B.Grimm Power, TH**	**Omaezaki Biomass, JP**
	First F-Class order from Pakistan 2x 4000F	First 50 Hertz HL-class SGT5-9000HL	7x 140 MW power train solutions including 14x SGT-800 and 7x SST-400	Seventh order from Toyo in Japan SST-700/900
	… **essential in meeting Karachi's future energy demands**. … a testament to KE's commitment to improving the reliability of power supply …	… **UK's cleanest and most efficient gas-fired power station**, displacing older, more carbon-intensive generation …	We are very **pleased with the performance of our existing fleet of SGT-800's**, so it was **natural to choose SGT-800 for the further fleet expansion** …	**Siemens is one of our most important partners**, with whom we have a great success in biomass utilizing **Siemens' highly efficient steam turbine generator** …
	Moonis Alvi *(K-Electric)*	***Stephen Wheeler*** *(SSE Thermal)*	***Preeyanart Soontornwata*** *(B.Grimm Power)*	***Keiji Morino*** *(Toyo Engineering)*

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

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

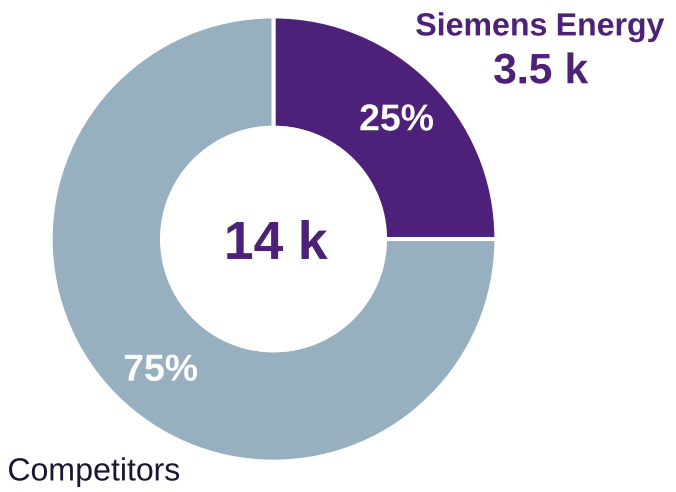
Support district heating of up to 150,000 households

Project de-risking – reduced scope, capabilities, more selectivity

Note: CCPP = Combined Cycle Power Plant; CHP = Combined Heat and Power

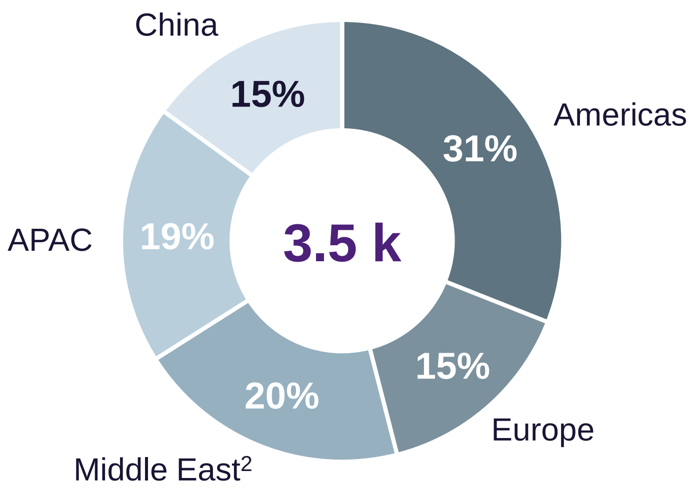
A large and attractive service business

Share of global fleet (>100 MW)[1]



#2 installed fleet

SE fleet by region (>100 MW)[1]



Well **balanced** globally

~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

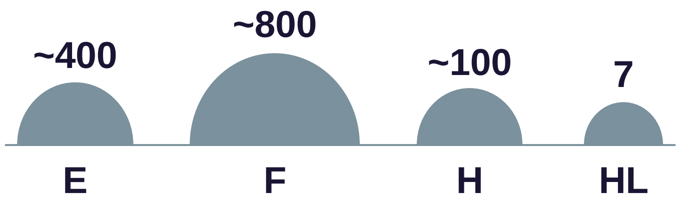
Majority of revenue **gas related** (vs. coal)

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

Leveraging our powerful service business

Grow installed fleet

Gas turbines installed/under installation



+ ~6% installed fleet growth until FY25

Drive utilization via upgrades

- Displacement of older frames
- Flexibility and performance
- H_2 co-firing

Optimize LTPs

% of projects sold with LTP or O&M

~66% projects with >12 years LTP or O&M

Strengthen LTPs

- Additive Manufacturing
- Extension of service intervals

Generate new business

- **Brownfield engine exchange**
- **Coal to gas repowering**
- **Tailor made** service offerings
- **Decarbonization roadmaps**
- **Digital** offerings

Note: LTP = Long-Term Service Program; O&M = Operation and Maintenance Contract

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

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

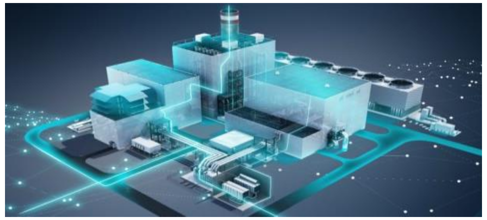
	Efficiency increase	Fuel switch and hybridization	Deep decarbonization
Customer drivers	Emissions regulations, cost reductions, reliability	Emission reduction, flexibility, grid stability, storage integration	Up to 100% H_2 for carbon-free energy production from stored excess renewable energy
Examples			
	Santo Domingo floating power plant Hybrid power plant solution (SCC-800 2x1) with integrated battery energy storage[1]	**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
	Clean and green electrical energy solution	**Readiness for transformation to 100% H_2**	**World's first industrial-scale power-to-X-to-power demonstrator**

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

Unlocking value with our pioneering digital offerings

Building on a portfolio addressing key customer needs

Intelligent gas turbine controller



- Gas turbine efficiency increase
- Reduction of NO_X emission

Fleet management suite

- Addressing growing $1.3 bn virtual power plant market
- Up to 4% increase in fleet efficiency

Combining digital with our strengths to re-think value

From remote to autonomous powerplant

- Moving from remote to managed service models
- Control powerplants with fewer or no people on-site

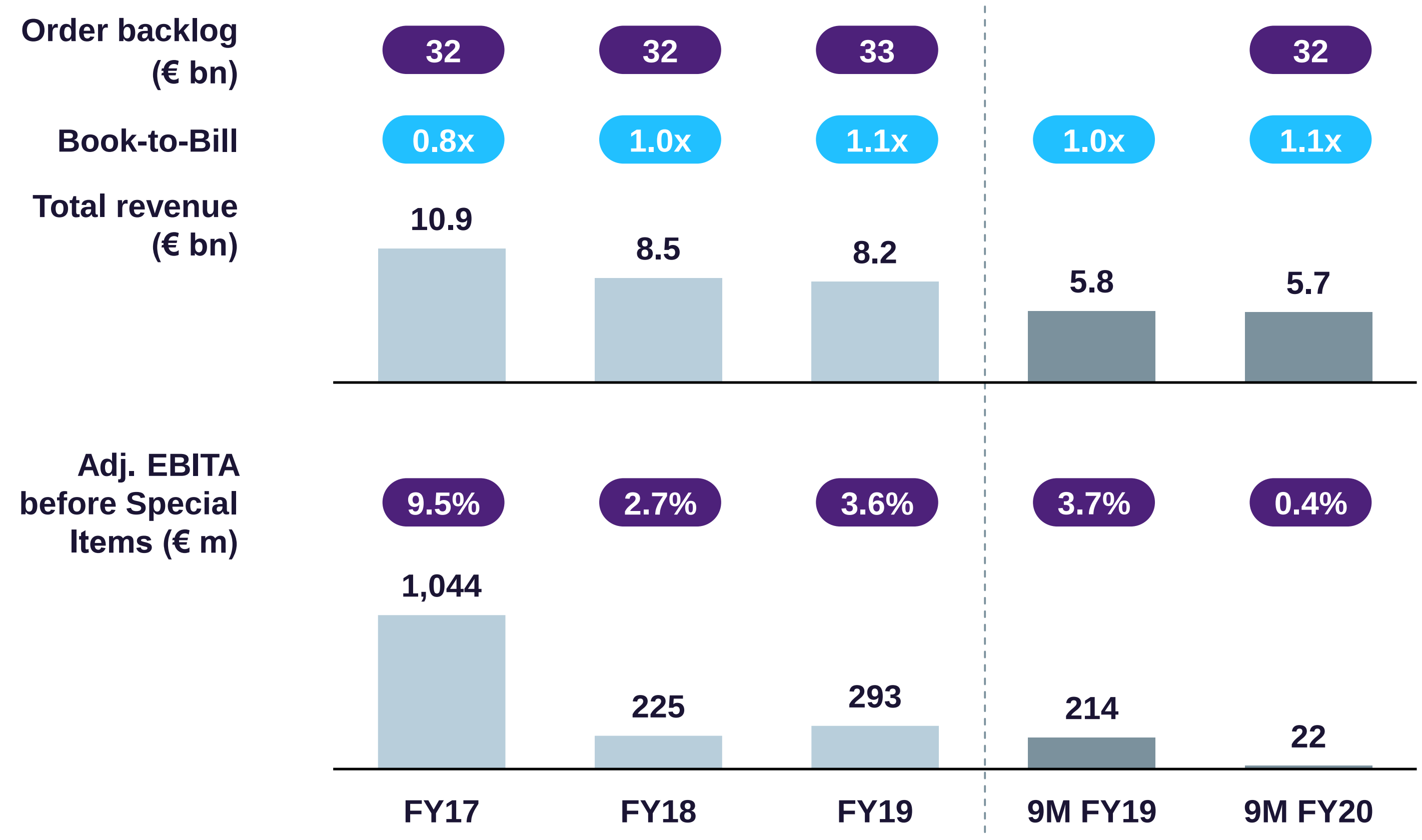
Digital twin and VR

- Accurate integrated data collection for outage optimization
- Improving turbine design, planning and processes

Additional business from new markets, new business models and higher value-add

Decline in LGT market has hit performance
Rightsizing underway

Siemens Energy Generation



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

2020-09-01

~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-X[1])

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

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 H_2 co-firing hybrid to deep decarbonization offering

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