

Siemens Energy Spin-off: Meet the Management

23 June 2020

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Agenda

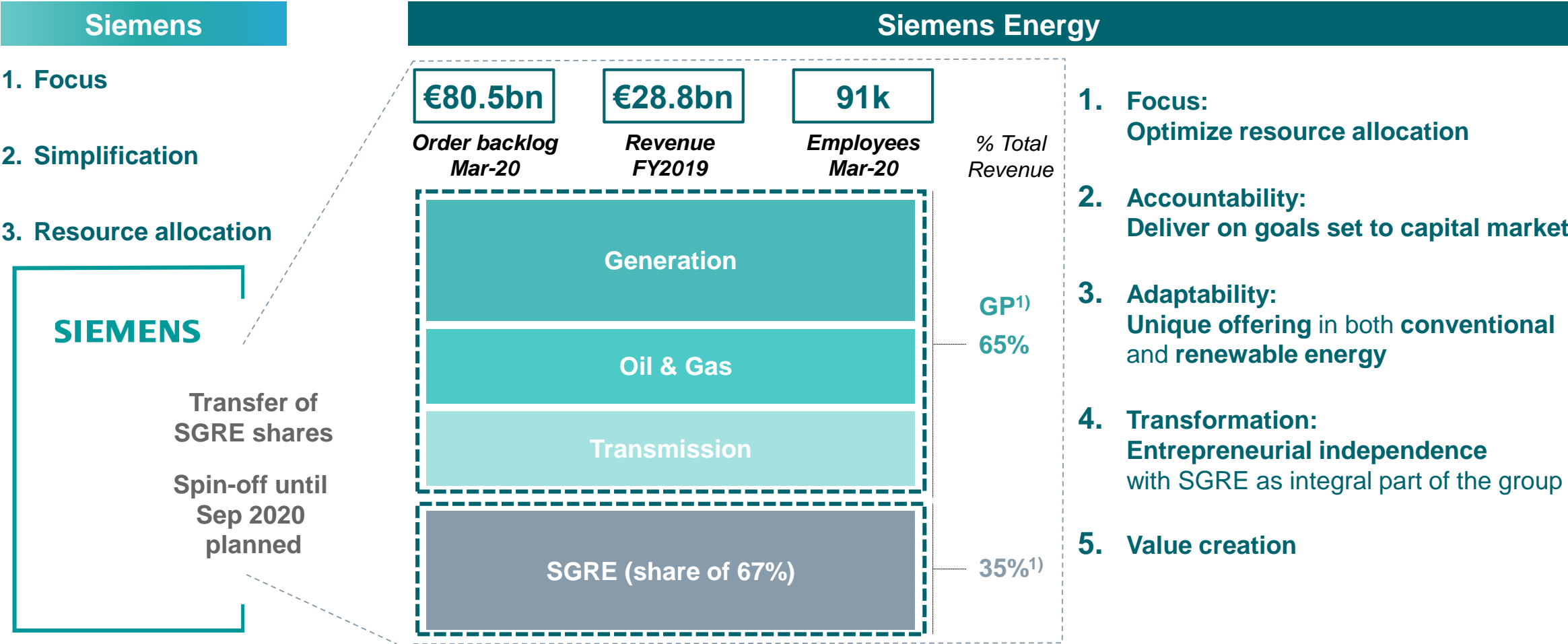


- 1 Update on spin-off process
- 2 Introduction of Siemens Energy
- 3 Financials

Update on spin-off process

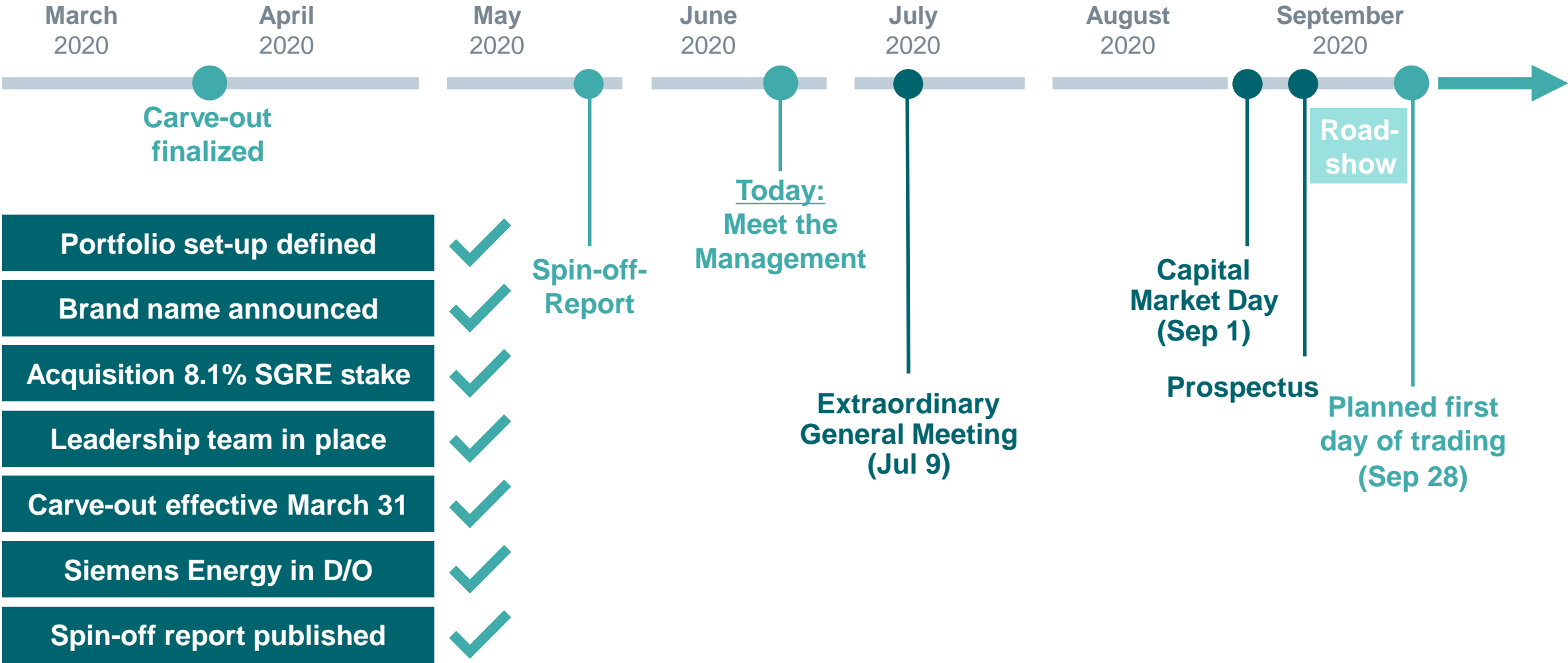
Siemens Energy spin-off: A mutually beneficial transaction

Focused resource allocation offers attractive opportunities



Spin-off creates independent and agile energy champion with strong Siemens engineering DNA and brand

Siemens Energy on track for listing end of September



Key spin-off parameters



Key milestones	<ul style="list-style-type: none"> • Approval by Siemens AG EGM expected on 9 July 2020 • First day of trading envisaged for 28 September 2020
Siemens shareholding	<ul style="list-style-type: none"> • Siemens: 35.1% / Siemens Pension-Trust e.V.: 9.9% prior to first day of trading • Within 12-18 months post spin-off, Siemens intends to further significantly reduce its stake in Siemens Energy
Allotment ratio	<ul style="list-style-type: none"> • Siemens AG shareholders receive 1 Siemens Energy AG share for 2 Siemens AG shares (allotment ratio: 2:1) • 55% of Siemens Energy AG shares will be transferred to Siemens AG shareholders prior to first day of trading
Listing	<ul style="list-style-type: none"> • Listing on the Regulated Market and in the Prime Standard segment of the Frankfurt stock exchange
Deconsolidation Agreement	<ul style="list-style-type: none"> • Siemens Energy and Siemens concluded a deconsolidation agreement to safeguard that Siemens Energy is an independent company immediately post spin-off • Siemens waives controlling influence on Siemens Energy, e.g.: <ul style="list-style-type: none"> – Voting rights at AGM limited with respect to election of supervisory board shareholder representatives – Max. 3 out of the 10 shareholder representatives in Siemens Energy supervisory board dependent on Siemens

Siemens Energy has a strong management team with clear responsibilities aligned to one common goal



EXECUTIVE BOARD



Christian Bruch
CHIEF
EXECUTIVE
OFFICER



Maria Ferraro
CHIEF
FINANCIAL
OFFICER



Tim Holt
SEGMENT
MANAGER
GAS AND
POWER,
SGRE



Jochen Eickholt
SEGMENT
MANAGER
GAS AND
POWER

Experience

- Executive Vice President Linde plc and CEO of Linde Engineering
- Speaker of the Executive Board of Linde AG
- Executive Board Member responsible for the Engineering Division and the Corporate Function Technology & Innovation, and thus for Digitalization of Linde AG

- CFO Siemens Operating Company Digital Industries
- Chief Diversity Officer Siemens AG
- CFO Digital Factory Division
- CFO Siemens UK
- CFO Siemens Canada
- Additional experience: PricewaterhouseCoopers & Nortel Networks

- CEO Siemens Power Generation Services
- CEO Siemens Power & Gas Service Business Unit
- CEO Siemens Renewables Service Business Unit
- Vice President Strategy Siemens Power Generation Services Division

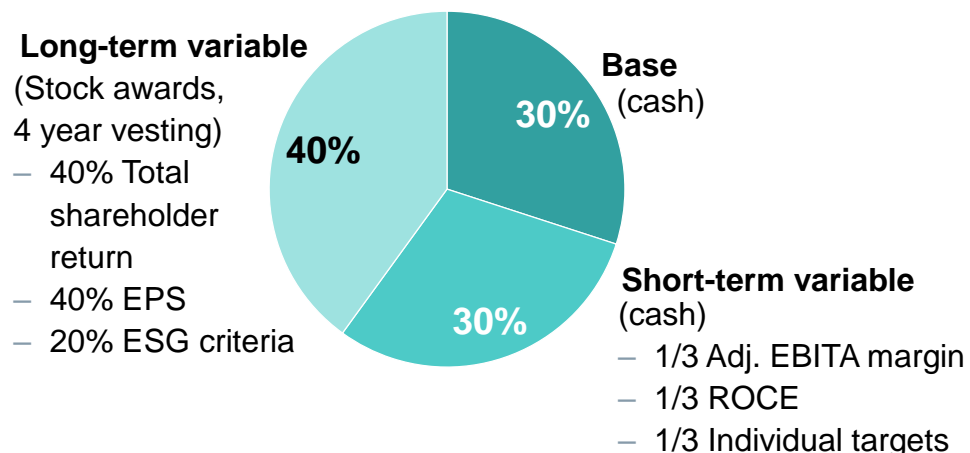
- Chairman and Managing Partner of Siemens Portfolio Companies
- Siemens Head of Integration Management Siemens Alstom
- CEO Siemens Mobility Division
- CEO Siemens Rail Systems Division
- CEO Siemens Rail Automation Business Unit

Today's presenters

Incentivization geared towards performance and ownership culture



Recurring Executive Board compensation



Spin-off incentive for Executive Board

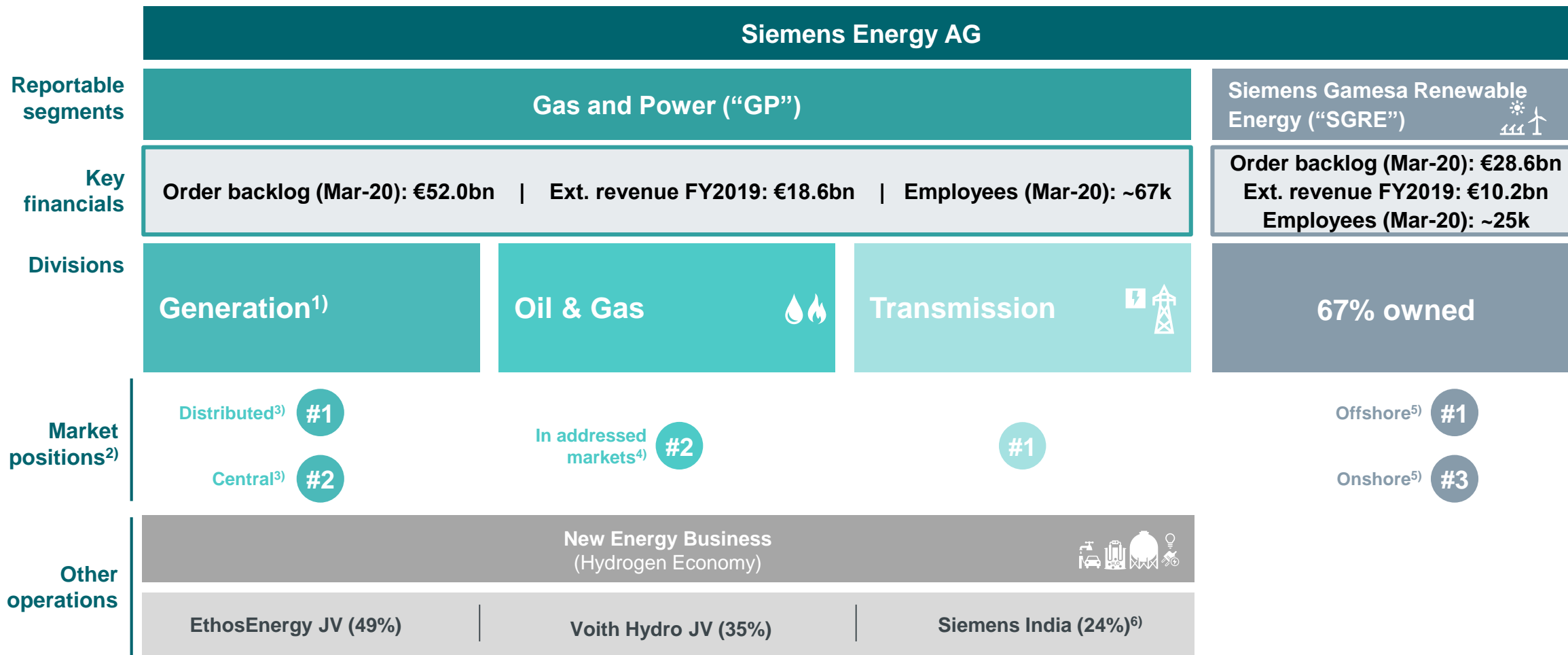
- **Target amount: c.1.0x base salary**
- **Pay-out of 100-200% of target amount 120 days post spin-off** in cash if certain targets are achieved (no pay-out if 100% target is not reached)
- Executive Board obliged to **re-invest net profits from spin-off incentive in Siemens Energy shares**

Spin-off employee incentive programs

Participants	<ul style="list-style-type: none"> • Selected employees 	<ul style="list-style-type: none"> • Broader employee base
Form (% of target amount)	<ul style="list-style-type: none"> • Stock Awards: 75% • Cash: 25% 	<ul style="list-style-type: none"> • Stock Awards: 100%
Mechanics	<ul style="list-style-type: none"> • Cash incentive paid out at spin-off • Stock incentive depends on Siemens Energy share price performance and is paid out 3 years post listing 	
Max pay-out (+100% share price increase post spin-off)	<ul style="list-style-type: none"> • Up to 4.75x of target amount • Up to €100m 	<ul style="list-style-type: none"> • Up to 6.0x of target amount • Up to €680m

Introduction of Siemens Energy

Siemens Energy combines all Siemens' energy businesses in one independent company

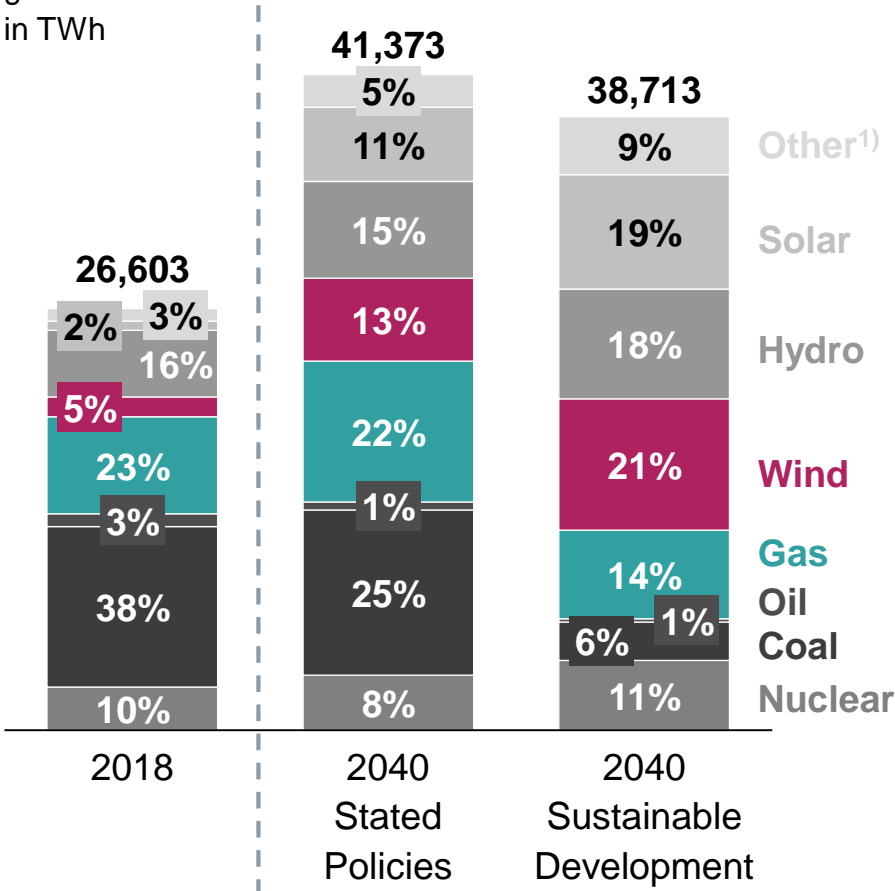


1) Shanghai Electric Power Generation JV to be transferred from Siemens AG to Siemens Energy in FY2021 2) Based on internal market assessment for FY2019 in addressed markets. 3) Market position in terms of number of units ordered for large gas turbines (central) and industrial gas turbines (distributed). 4) Based on market value for new equipment in addressed markets. 5) 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. 6) As of 19 June 2020. Market value of listed participation: €1.1bn (EUR/INR = 85.3135; INR 1,067/share). To be allocated to divisions for financial reporting.

Electrical infrastructure is system critical, growing and in transformation

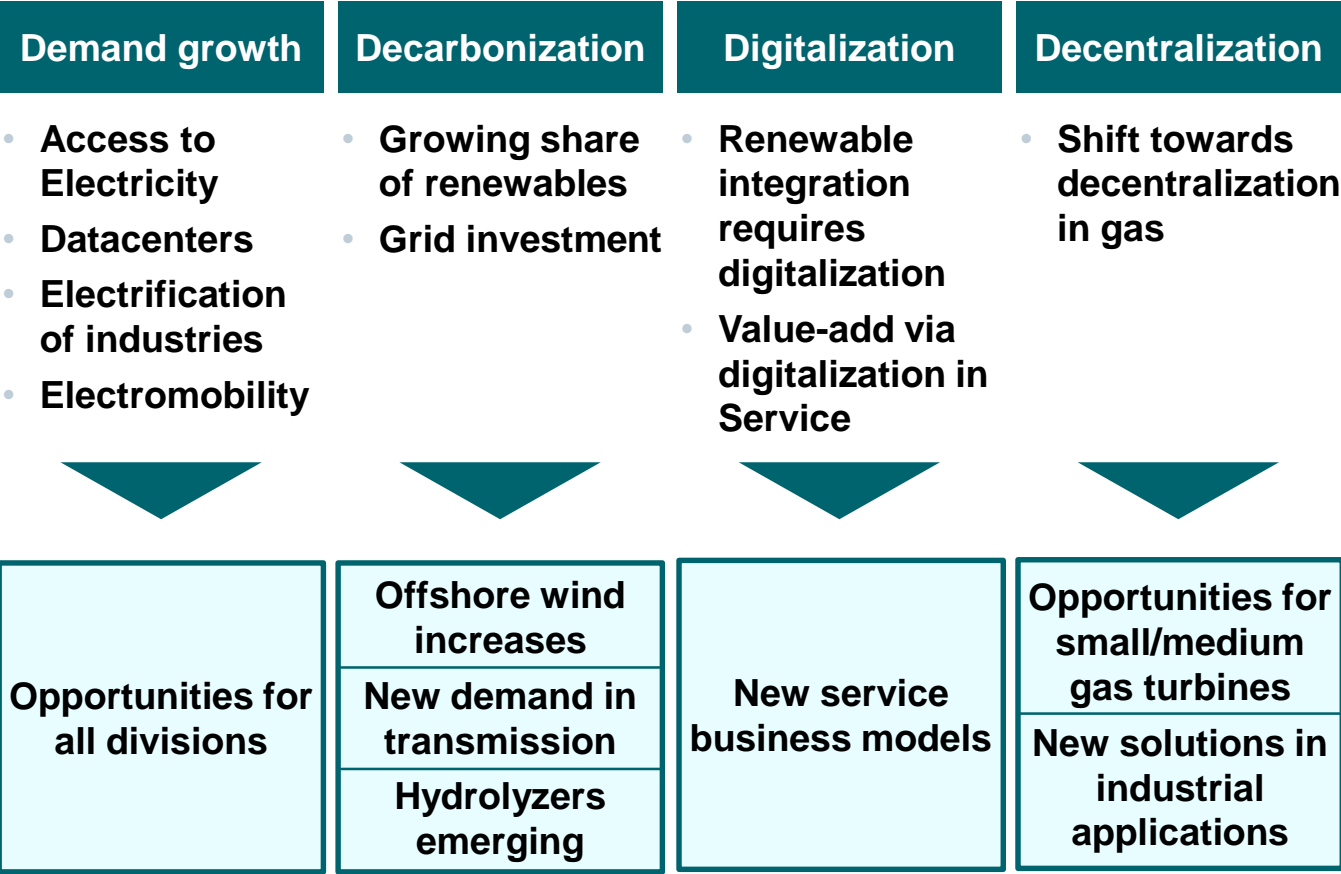
Transforming infrastructure

Electricity generation in TWh



Source: IEA
 1) Other includes geothermal, bioenergy and other renewables
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Energy megatrends create opportunities for Siemens Energy



Differentiation through products, solutions, services and global setup to address global energy megatrends



Demand growth

9000HL GAS TURBINE



HVDC PLUS



Digitalization

TOPSIDE 4.0



SENSPRODUCTS



Decentralization

FLOATING POWER

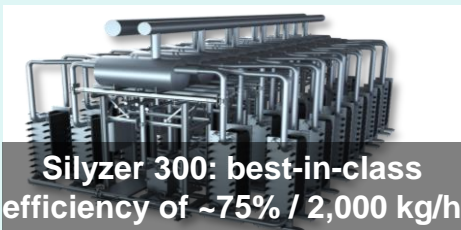


INDUSTRIAL POWER



Decarbonization

H₂ ELECTROLYZER

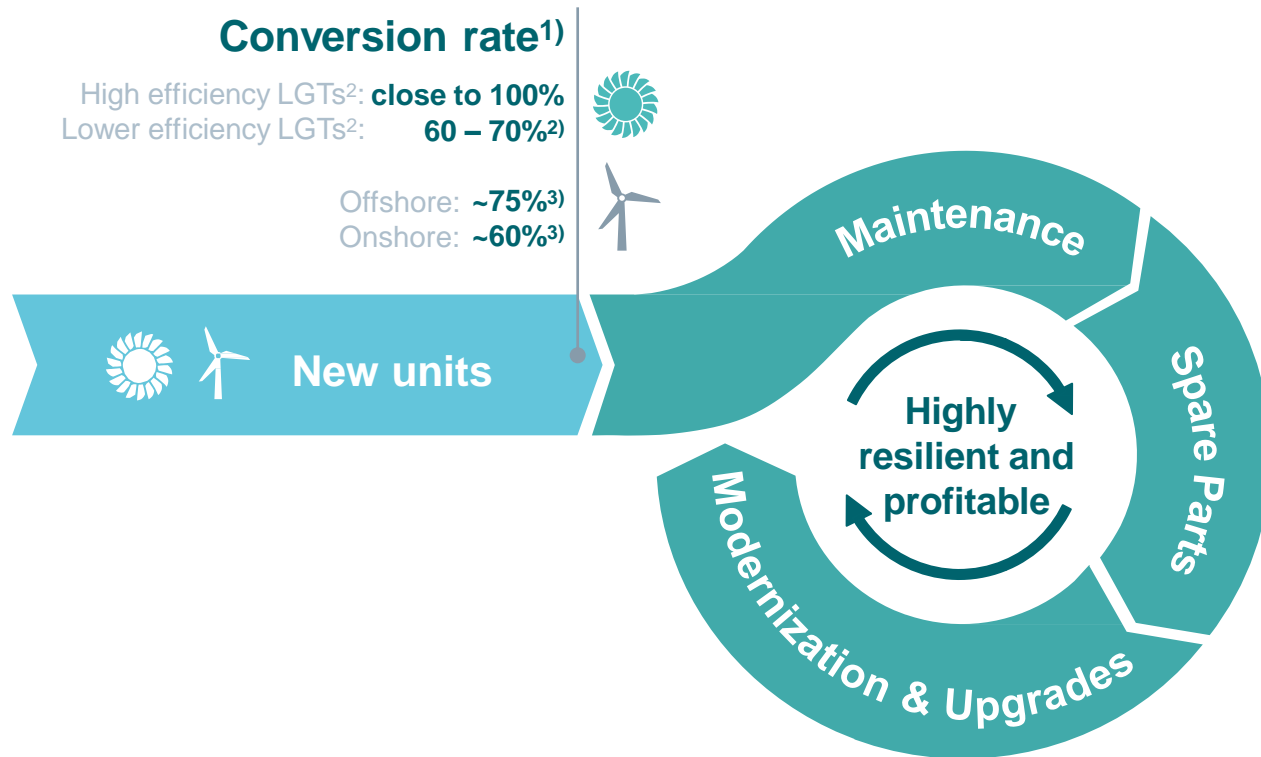


OFFSHORE WIND



Present in more than 90 countries we deliver leading technology to customers on a global scale

Service is our strong base and drives our strategy



Key pillars

- Large diverse fleet
- Broad customer base
- Highly attractive margin
- Global network
- Digitalization opportunity

Order backlog (Mar-20)⁴⁾

- Group: €80.5bn
- GP: €52.0bn
- SGRE: €28.6bn

Service contract duration

- 10 - 15 years⁵⁾
- 5 - 10 years

1) Percentage of new unit projects sold together with service agreements. 2) Renewal rate: 60% (estimate), target of 70% by 2020. 3) Conversion rate of own fleet based on SGRE definition as of FY2019.

4) Comprises New units and Service. Group incl. consolidation. 5) The average long-term program duration for O&G rotating equipment is ~8 years

The new independent Siemens Energy: Performance powerhouse



Combines all Siemens' energy businesses under one roof

Covers the full energy value chain from conventional to renewables

Leading force in the global energy infrastructure

Large service business provides foundation for value creation

Management team with proven track record fully aligned with shareholders

Financials

Summary financials



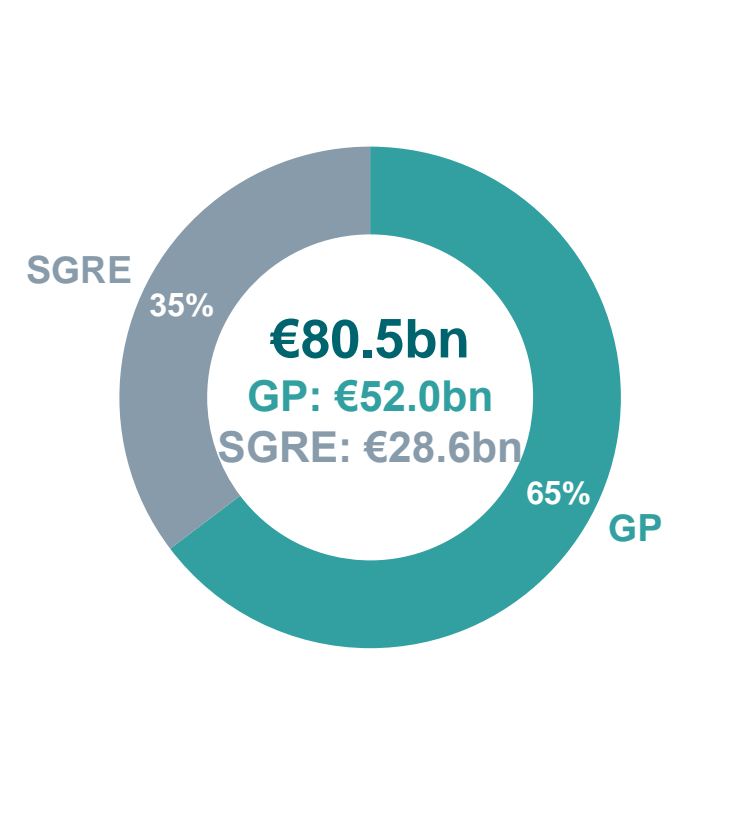
<i>in €m (unless otherwise indicated)</i>	Siemens Energy ¹⁾			GP			SGRE		
	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019
Orders	29,673	31,046	33,734	21,029	19,283	21,187	8,768	11,875	12,749
<i>Growth</i>		4.6%	8.7%		(8.3)%	9.9%		35.4%	7.4%
External revenue	30,086	28,023	28,797	22,164	18,900	18,569	7,920	9,121	10,226
<i>Growth</i>		(6.9)%	2.8%		(14.7)%	(1.8)%		15.2%	12.1%
Adj. EBITA (pre severance)	2,061	1,316	1,305	1,746	815	836	356	555	513
<i>Margin</i>	6.9%	4.7%	4.5%	7.9%	4.3%	4.5%	4.5%	6.1%	5.0%
Severance	70	452	280	43	375	247	26	77	32
Adj. EBITA	1,991	864	1,025	1,703	440	589	330	478	481
<i>Margin</i>	6.6%	3.1%	3.6%	7.7%	2.3%	3.2%	4.2%	5.2%	4.7%
Free Cash Flow	(121)	80	876	722	212	651	(288)	373	407

- Positive order momentum in FY2017 – FY2019
- Past profitability significantly impacted by ongoing reorganizations. Adj. EBITA pre severance stabilized in FY2019
- Free Cash Flow in FY2019 benefitted from positive working capital effects at Generation and Transmission

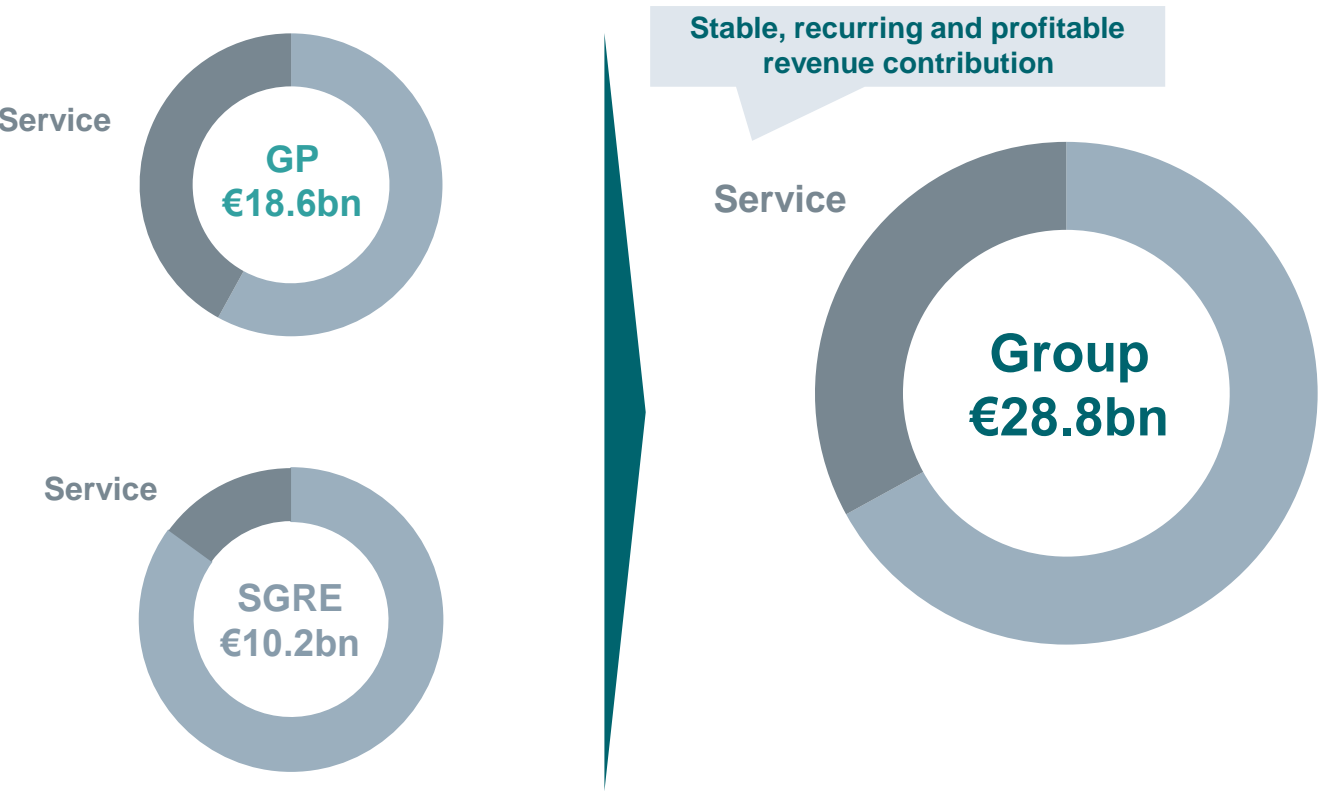
1) Includes Corporate Items and Reconciliation which includes certain business activities and topics that are not directly related to the reportable segments. These are Real Estate Services, expenses and income from pension-related topics not allocated to the segments as well as eliminations, treasury and other central topics to which the definition of Adjusted EBITA applies

Strong backlog and high and resilient service share

Order backlog¹⁾ Mar-2020
By segment



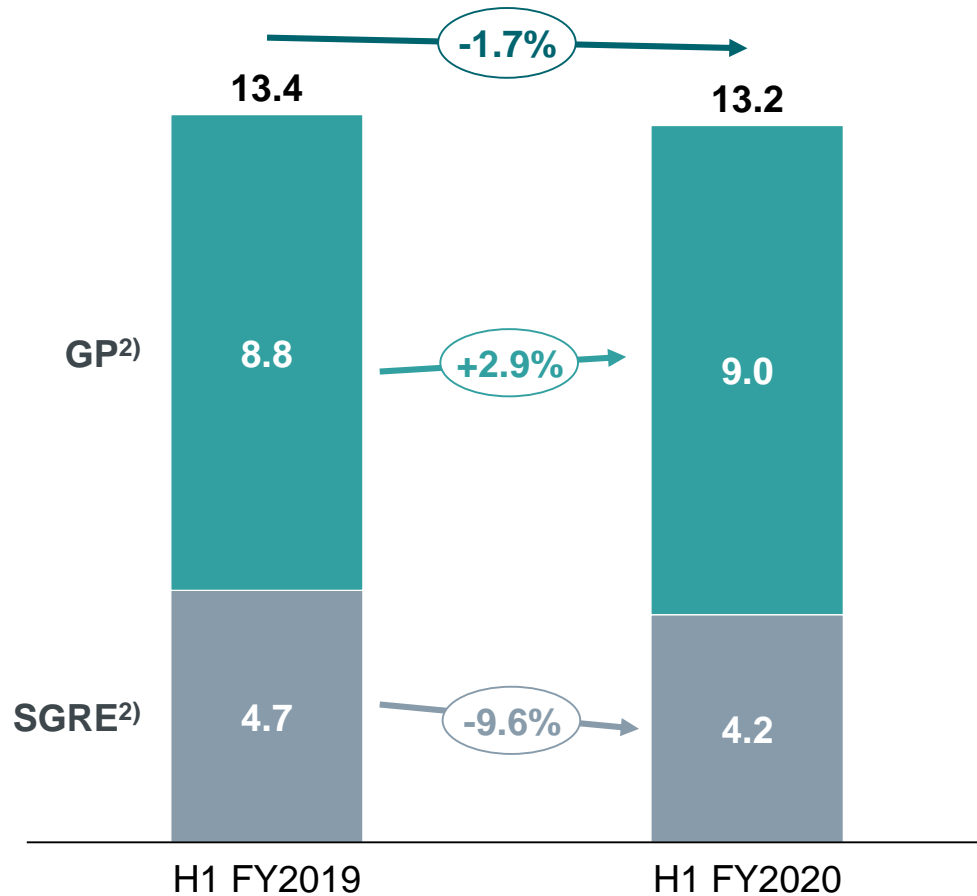
External revenue FY2019
By business



1) Comprises New units and Service. Group incl. consolidation

Moderate revenue decline despite macroeconomic headwinds

Revenue¹⁾: H1 FY2019 vs. H1 FY2020 (€bn)



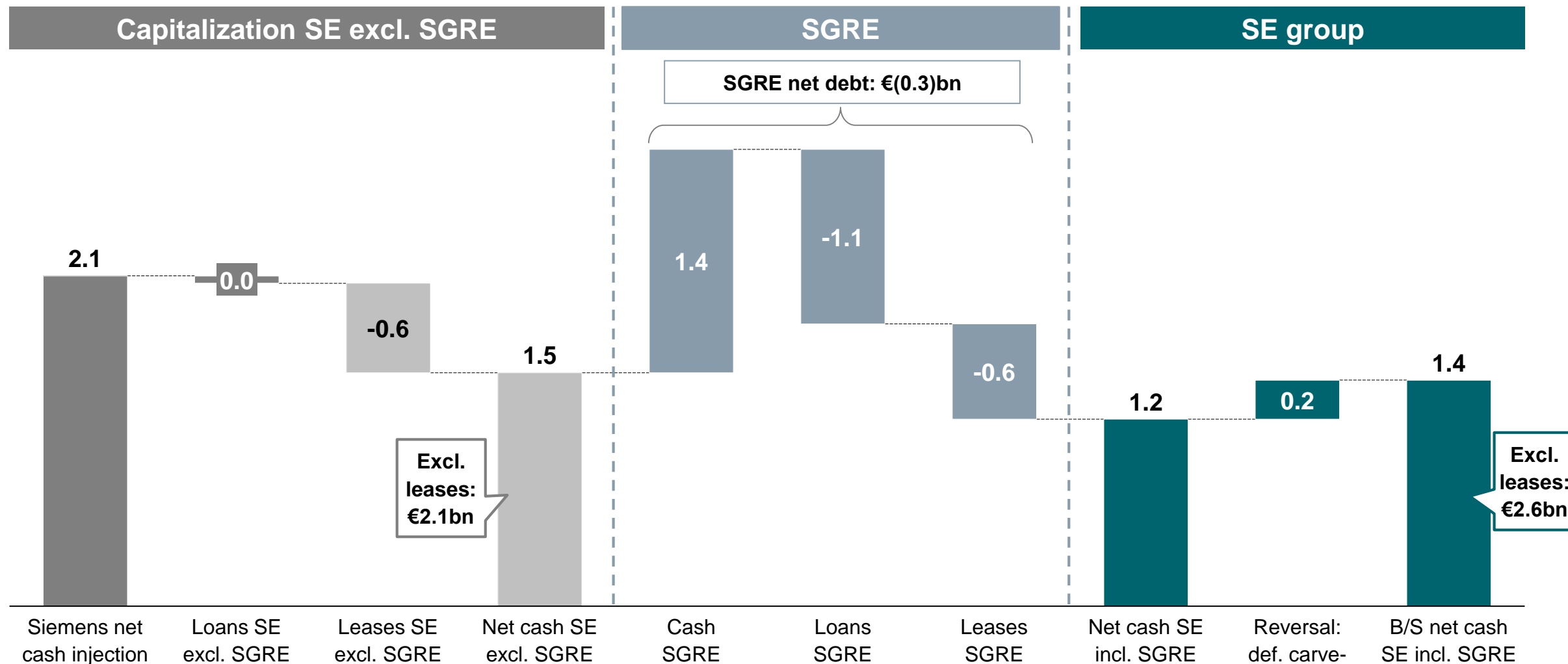
Comments: H1 FY2020

- **Slight revenue increase in Gas and Power business**
 - Moderate revenue growth in Transmission
 - Stable revenue in Generation
 - Moderate revenue decrease in Oil & Gas
- **Adj. EBITA H1 FY2020 below prior year**
 - Product mix effects and additional costs for stand-alone set up
 - First impact of COVID-19, limited so far in H1
- **SGRE with revenue decline year-on-year**
 - Strong order intake with new offshore projects in Taiwan (incl. service), UK and the Netherlands
 - COVID-19 caused project execution delays in onshore and offshore businesses and prolonged slowdown of Indian market
 - Growing service business partially offset decline in project execution
- **Y-o-Y profitability decline** impacted by execution challenges in the Northern European pipeline and the slow-down in India with additional impact from COVID-19

1) Siemens Energy incl. central and consolidation. 2) External revenue.

Strong balance sheet with sizeable net cash position

As of 31 March 2020



1) Siemens net cash injection includes certain earmarked cash effects from carve-out activities, which due to timing are not yet reflected in cash and cash equivalents as of 31 March 2020 of the Combined Financial Statements

Siemens Energy leverages the Siemens ecosystem



Usage of Siemens brand

- **Corporate identity of Siemens Energy and SGRE continues to include “Siemens” brand**
- **Brand fee:**
 - **Siemens Energy ex. SGRE: 0.3-1.2% of brand-relevant revenue**, based on Adj. EBITA margin¹⁾
 - **SGRE: none**
- Initial tenure of trademark license agreement: 10 years

Project Financing

- **Continued access to Siemens Financial Services for project financing of Siemens Energy customers**
 - **Equity financing: Up to €1.5bn in first 5 years after spin-off**; in subsequent 5-year period commitment for resulting sales proceeds, **at least €0.5bn**
 - **Debt financing/leasing: At arms’ length** without recourse to Siemens Energy

Transitional & long-term service agreements

- **Total cumulative volume over contract period: ~ €1.0bn** (as of 31-Mar-2020)
- Focused on a.o. Human Resources, Accounting, Purchasing, Information Technology and selected R&D areas

1) Based on EBITA margin adjusted for the purpose of the trademark license agreement; EBITA margin < 6.5% = 0.3% / EBITA margin > 9.0% = 1.2%

Sound capital structure & financial policies



Liquidity	<ul style="list-style-type: none">• Sound €1.2bn net cash position¹⁾• €5.9bn undrawn credit lines give financial flexibility<ul style="list-style-type: none">– Siemens Energy (excl. SGRE): €3.0bn– SGRE: €2.9bn
Pensions	<ul style="list-style-type: none">• Pension deficit SE incl. SGRE as of 31-Mar-20: €1.0bn (thereof SGRE: €14m)• In total €3.2bn gross pension and similar obligations and €2.1bn pension plan assets
Rating	<ul style="list-style-type: none">• Targeting a solid investment grade rating
Dividend policy	<ul style="list-style-type: none">• First dividend planned for FY2021 (pay-out in FY2022)• Pay-out ratio: 40-60% of net income²⁾ to be funded from Siemens Energy's Free Cash Flow

1) Siemens net cash injection includes certain earmarked cash effects from carve-out activities, which due to timing are not yet reflected in cash and cash equivalents as of 31 March 2020 of the Combined Financial Statements

2) Net income attributable to Siemens Energy AG adjusted for extraordinary non-cash effects

CFO takeaways

Strong capital structure with sizeable cash position

Large order backlog from a broad customer base across divisions

High and resilient service share from large installed base

Management focused on improvement of EBITA and cash generation

Wrap-up

Key management priorities



Operational excellence

Simplify work processes, improve cost base of organization and **reduce non-conformances** through project execution excellence

Focus on cash

Unlock cash from portfolio streamlining, footprint optimization, working capital management and **strict return criteria** for capex and acquisitions

Embrace digital

Invest in IT and digital infrastructure, drive data consistency and automation of work processes across **all areas of the company**

Competitive portfolio

Focus R&D on megatrends to extend our **technology leadership position**

One company, one culture





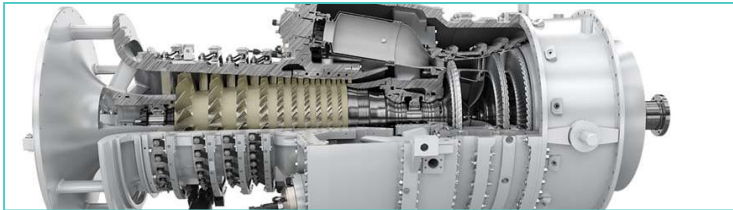

Align company culture to **common goals, clear accountabilities, customer focus and people development**

Appendix: Business

Overview of Generation Business








Portfolio overview

 Distributed generation		 Central generation	 Service		
Products <ul style="list-style-type: none">• Industrial gas turbines• Indus. steam turbines• Engines• Instrument. & controls	Solutions <ul style="list-style-type: none">• Industrial power plants	Products <ul style="list-style-type: none">• Large gas turbines• Large steam turbines• Large generators• Instrument. & controls	Solutions <ul style="list-style-type: none">• Large power plants	<ul style="list-style-type: none">• Maintenance programs• Modernizations & upgrades	<ul style="list-style-type: none">• Long term programs, operation & maintenance• Digital services
					

Customer groups

Utilities / Independent Power Producers
Industry
Oil & Gas

Generation business segments and drivers

Business segments	Central generation >100 MW			Decentral generation <100 MW	
	 Utilities	 IPPs ¹⁾	 EPCs	 Municipalities	 Industries
Business drivers	Lower emissions		Competitive LCoE ²⁾		Access to capital
	Renewable integration		Fuel flexibility / use of hydrogen		
	Shift from coal to gas		Higher operational flexibility		Stable energy supply & grids

Overview of Oil & Gas Business




Portfolio overview

 Products ¹⁾	 EAD Solutions (Electrical, Automation, Digitalization)	 Services
<ul style="list-style-type: none">Gas turbinesIndustrial steam turbinesTurbo compressorsReciprocating compressorsGenerators	<ul style="list-style-type: none">On-/offshore solutionsMarine solutionsFiber solutionsWater SolutionsSubsea products & solutions	<ul style="list-style-type: none">Spare parts, repairs, field servicesModernizations & upgradesLong-term service program, operation & maintenance programDigital services
		

Customer groups

Oil & Gas
Industrial

Broad coverage of the value chain









									
Upstream			Midstream	Downstream	Industries				
Subsea products and solutions	Offshore production, processing	Conv. onshore production and processing	LNG	Refining	Synthetic fuels	Fiber	Marine	Distributed generation services	
Offshore drilling	Onshore drilling	Unconventional (pumping, compression)	Gas & liquid pipelines	Petrochemicals	Chemicals	Air separation	Metals & mining services	Municipalities services	
		Water solutions	Storage						

1) Medium Gas Turbines, Generators, Industrial Steam Turbines sourced from Generation Division
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Overview of Transmission Business



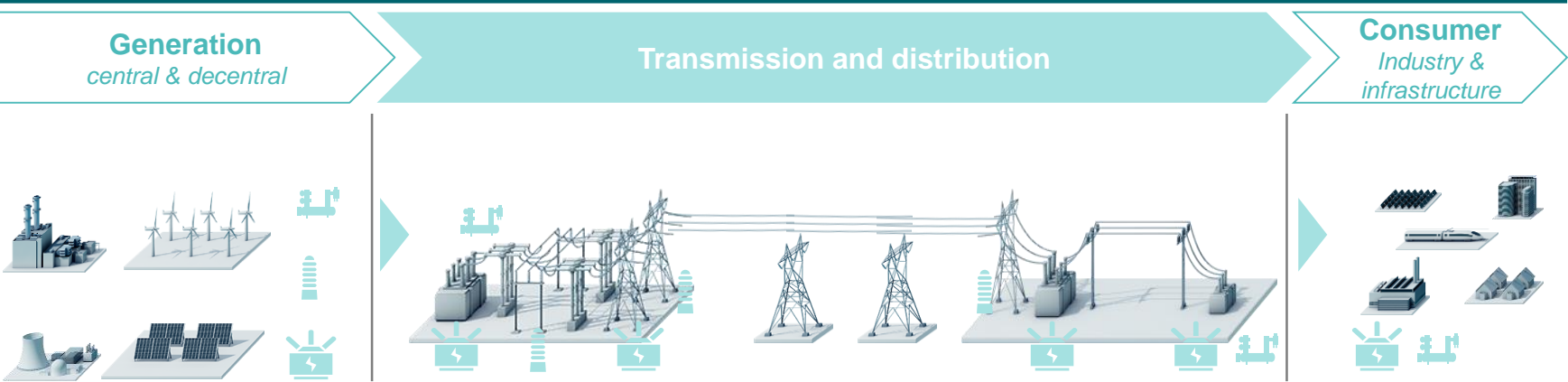
Portfolio overview

 Switching	 Non-switching	 Solutions	 Service
<ul style="list-style-type: none">• Transmission systems• Gas-insulated switchgear• Circuit breakers, surge arresters, disconnectors	<ul style="list-style-type: none">• Power and distribution transformers• Bushings, instrument transformers, coils• Bundles and systems	<ul style="list-style-type: none">• Substation and grid access• HVDC / MVDC / FACTS• E-packages and mobile solutions• Compact transmission lines	<ul style="list-style-type: none">• Product related services• Modernization, upgrades• Long term programs incl. operations
			

Customer groups

TSOs
Utilities / Independent Power Producers
Oil & Gas Industry & Infrastructure

Full coverage of electricity transmission value chain



 Gas insulated switchgear

 Air insulated switchgear

 Power & distr. transformers

Unrestricted © Siemens 2020

Overview of SGRE Business



Portfolio overview



Onshore wind

- 9 main turbines types in current portfolio ranging from 2.1 to 5.8 MW¹⁾
- Presence in adjacent renewable fields such as hybrids





Offshore wind

- 5 turbines types in current portfolio ranging from 6 to 14 MW²⁾
- Testing projects in floating wind turbines





Services

- Operation and maintenance offerings
- >70 GW under maintenance
- Latest acquisition of Senvion's intellectual property and onshore service fleet in Europe



Customer groups

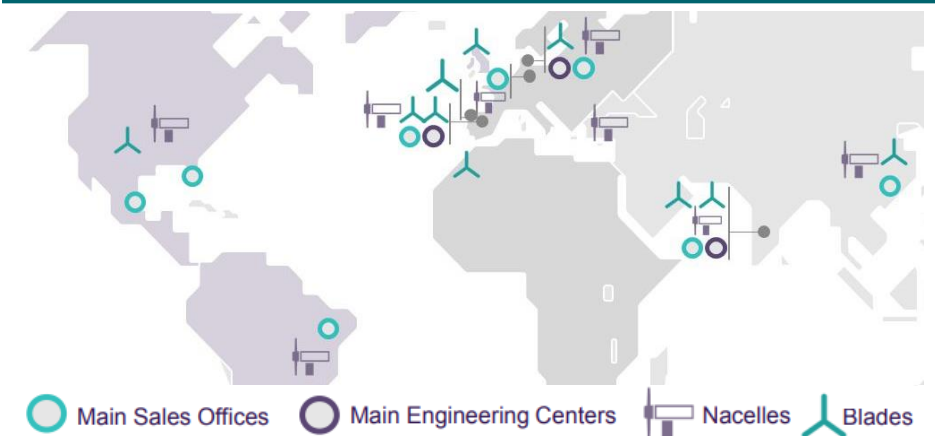
Utilities / Independent Power Producers

Project developers

Financial investors

Other energy consumers

Global reach and scale³⁾



Selected performance indicators

€28.6bn order backlog (Q2 FY2020)

€10.2bn external revenue (FY2019)

~25k employees (Q2 FY2020)

~100 GW installed (Q2 FY2020)

1) Excluding legacy products. 2) 14 MW nominal capacity, can be expanded to 15 MW under certain conditions. 3) Main sites only, non-exhaustive

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SGRE is integral part of the group: key cooperations and corporate governance aspects



Ownership & governance	<ul style="list-style-type: none">• Ownership: Siemens Energy holds 67% strategic stake in SGRE; at least qualified (2/3) majority at AGM (depending on free float AGM participation)• Shareholder agreement with Iberdrola terminated in February 2020 and legal disputes with Iberdrola settled• Board of Directors: 5 proprietary directors, 4 independent and one executive• Management team in place with extensive industry background
Operating cooperation	<ul style="list-style-type: none">• Framework agreement will regulate the governance interaction between Siemens Energy and SGRE• Strategic Alliance agreement will provide a framework for business collaboration aimed to contribute to announced synergies¹⁾<ul style="list-style-type: none">— Examples of identified areas of collaboration: Procurement (pooling of volumes, strategic supply of selected components), cross-division and cross-regional customer and market development cooperation— Upon the spin-off, parties will continuously investigate fields of common interest• Related party transactions approval process in place to ensure transactions are carried out at arm's length and in accordance with applicable law for the best interest of the company<ul style="list-style-type: none">• Audit, Compliance and Related Party Transactions Committee with majority of independent directors
Financing	<ul style="list-style-type: none">• Siemens Energy standalone rating expected to be supportive or beneficial for SGRE's• Siemens Energy and SGRE with separate cash pooling and credit lines

1) Siemens AG announced on 4-Feb-2020 annual savings of up to €100m through intensified collaboration between Siemens and SGRE

Appendix: Financials

Reconciliation of financials (1/3)

Orders and revenue



Orders

In €m	FY2017	FY2018	FY2019
1 Segment Gas and Power	21,029	19,283	21,187
2 Segment SGRE	8,768	11,875	12,749
3 Reconciliation to Combined Financial Statements	(124)	(112)	(202)
Siemens Energy group	29,673	31,046	33,734

External revenue

In €m	FY2017	FY2018	FY2019
1 Segment Gas and Power	22,164	18,900	18,569
2 Segment SGRE	7,920	9,121	10,226
3 Reconciliation to Combined Financial Statements	2	2	2
Siemens Energy group	30,086	28,023	28,797

- 1 Financials of **Gas and Power segment** do not reconcile with Siemens AG's historical Gas and Power segment reporting due to scope adjustments
- 2 Financials of **SGRE segment** can be reconciled with SGRE's standalone reporting and Siemens AG's segment reporting
- 3 **Corporate items and reconciliation** includes certain topics that are not directly related to the reportable segments as well as consolidation effects

Reconciliation of financials (2/3)

Bridge from Adj. EBITA to EBT

Reconciliation from Adj. EBITA to EBT

In €m	FY2017	FY2018	FY2019
Gas and Power	1,703	440	589
SGRE	330	478	481
Reconciliation to Combined Financial Statements	(42)	(54)	(44)
Adj. EBITA	1,991	864	1,025
PPA amortization	(507)	(545)	(499)
Reversal: Net fin. income operating business	6	51	70
EBIT	1,490	370	597
Reversal: Associate income ¹⁾	(65)	85	(111)
EBIT (excl. associate income / net fin. income from operating business)	1,425	455	486
Associate income ¹⁾	65	(85)	111
Financial result ²⁾	(182)	(219)	(280)
Income before income taxes	1,309	151	317

1) Income (loss) from investments accounted for using the equity method, net

2) Financial result represents the sum of (i) interest income, (ii) interest expense and (iii) other financial income (expenses), net

Commentary

1 Adj. EBITA

- **Gas and Power:** Reflects spin-off scope / deviates from Siemens AG segment reporting
- **SGRE:** Consistent with Siemens AG reporting
- **Corporate items and reconciliation:** Contains elements of Real Estate services, pension as well as eliminations, treasury and other central items that meet the definition of Adj. EBITA

2 PPA amortization

- Amortization of acquired intangibles assets (a.o. Dresser Rand, Rolls Royce, SGRE combination, Adwen)

3 Net financial income from operating business

- Mainly interest income/expense from pension plans

4 Associate income¹⁾: Largest at-equity investments and JVs:

- RWG (Repair & Overhauls) – 50% shareholding
- Maschinenfabrik Reinhausen – 20% shareholding
- Siemens Limited India – 24% shareholding

5 Financial result²⁾

- Does not reflect future capital structure implemented as of 31 March 2020

Reconciliation of financials (3/3)

Details on Siemens Energy Free Cash Flow

Reconciliation of Siemens Energy free cash flow

In €m	FY2017	FY2018	FY2019
FCF – Gas and Power	722	212	651
FCF – SGRE	(288)	373	407
Free Cash Flow – Total segments	434	584	1,058
Income taxes paid	(618)	(541)	(287)
Reconciliation to Combined Financial Statements	62	37	105
Free Cash Flow – Group	(121)	80	876

	FY2017	FY2018	FY2019
Cash flow from operating activities	686	844	1,694
Additions to intangible assets & PPE ¹⁾	(807)	(764)	(818)
Free Cash Flow – Group	(121)	80	876

1) Property, plant and equipment

Commentary

- 1 Free Cash Flow – Total segments**
 - **Gas and Power / SGRE:** Reflects segment Free Cash Flow before taxes and central/other items
 - Volatility reflects payment patterns of large projects
- 2 Tax related cash flows**
 - Reflects income taxes paid
- 3 Reconciliation to Combined Financial Statements**
 - Consists of pension (accruals and prepaid costs) and depreciation attributable to the Real Estate function
 - Reflects mainly interest income/expense, net and pension related interest expense
- 4 Free cash flow presentation as per Combined Financial Statements**

Efficient asset base with low tangible capital employed

Combined Statement of Financial Position of Siemens Energy as of 31 March 2020 (€bn)			
Assets		Liabilities and Equity	
Cash and cash equivalents	1.9	Short-term debt	0.7
Receivables from Siemens Group	3.7	Payables to Siemens Group	1.0
Trade receivables & contract assets	9.0	Trade payables & contract liabilities	14.2
Inventories	7.5	Other current liabilities	5.7
Other current assets	2.2		
Current assets	24.3	Current liabilities	21.6
Goodwill & other intangible assets	14.3	Long-term debt	1.7
Property, plant and equipment	4.7	Provisions for pensions and similar obligations	1.0
Invest. acc. for using equity method	0.8	Other non-current liabilities	4.1
Other non-current assets	1.7		
Non-current assets	21.5	Non-current liabilities	6.8
		Total equity	17.3
Total assets	45.8	Total liabilities and equity	45.8

Commentary

Capitalization:

- Siemens Group receivables/payables largely related to financing (net financing receivables: €1,873m)

Financial debt:

- Significant portion of financial debt relates to liabilities arising from lease arrangements
 - Current: €0.3bn
 - Non-current: €0.9bn
- Non-leasing financial debt mainly at SGRE level

Net cash and equity ratio:

- Strong €2.4bn net cash position (excl. leases) / €1.2bn (incl. leases)¹⁾
- Equity ratio at 38%

Banks advising Siemens on Siemens Energy spin-off



Lead financial
advisors and
listing agents



J.P.Morgan

Co-advisors



Jefferies