

Gas and Power

Lisa Davis CEO, Tim Holt COO, Michael Becker CFO
Siemens Capital Market Day | Munich, May 8, 2019

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Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.



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Gas and Power

As GP, we are more ...

**More resilient
portfolio**

**More customer
focused**

**More competitive
structure**

**More control
of costs**

Gas and Power

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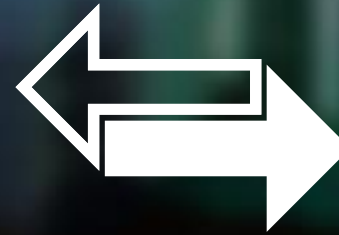
**Clear
targets**



**Broad
portfolio**



**Changing
market**



**Concrete
actions**



Gas and Power

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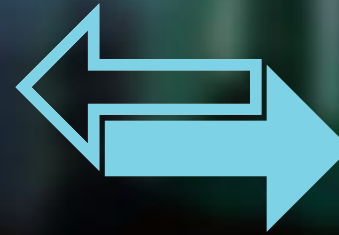
**Clear
targets**



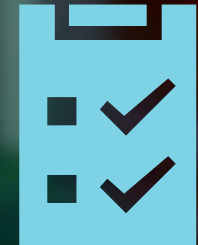
**Broad
portfolio**



**Changing
market**



**Concrete
actions**



Clear targets, clear goals

Grow Revenue

- Grow topline at market level
- Shift business mix for faster growth



Improve Efficiency

- €1.5bn operational productivity by FY21
- Sharpen R&D spend



Increase Profit

- €1bn cost out by FY23 (€700m by FY21)
- In margin band by FY21



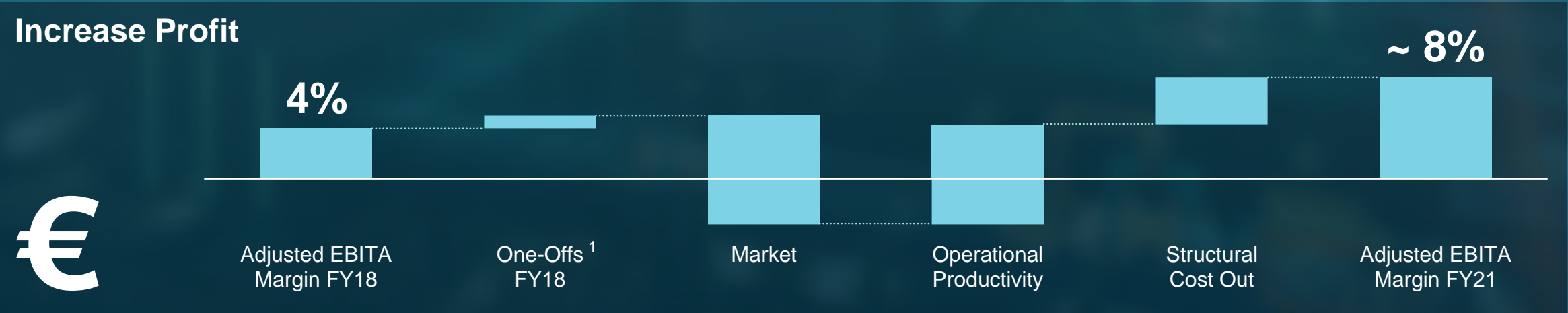
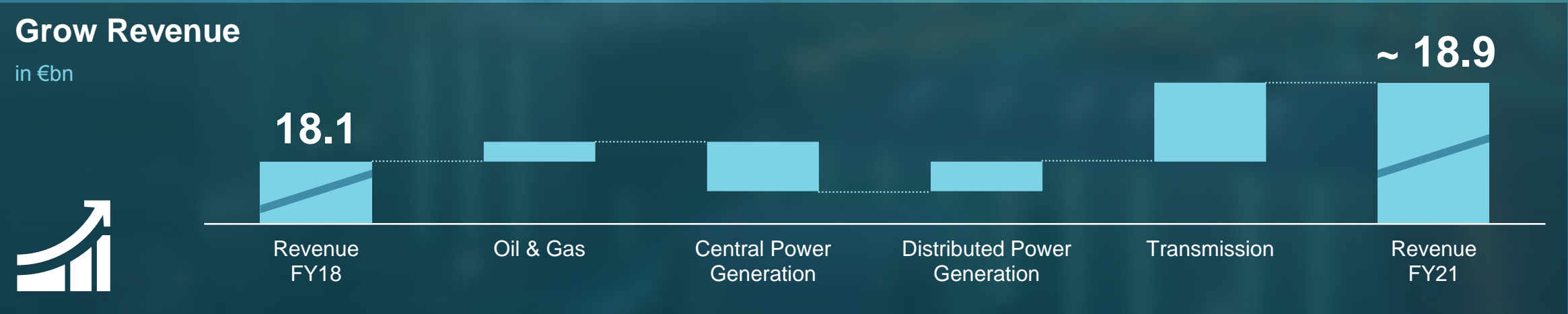
Deliver Cash

- Cash Conversion Rate of 1.0 by FY21
- Drive NWC discipline and ownership



Note: Figures reflect GP OpCO setup as of April 1st, 2019
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Delivering our targets despite strong market headwinds



¹ Severance €374m and disclosed divestment gains €167m

Note: Figures reflect GP OpCO setup as of April 1st, 2019

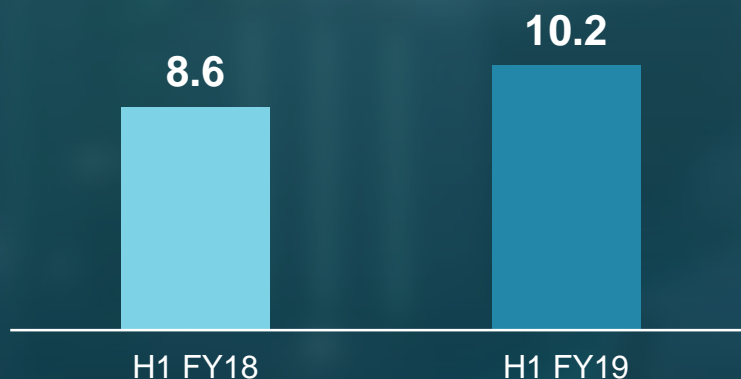
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Continuous focus on cost reduction and cash delivery



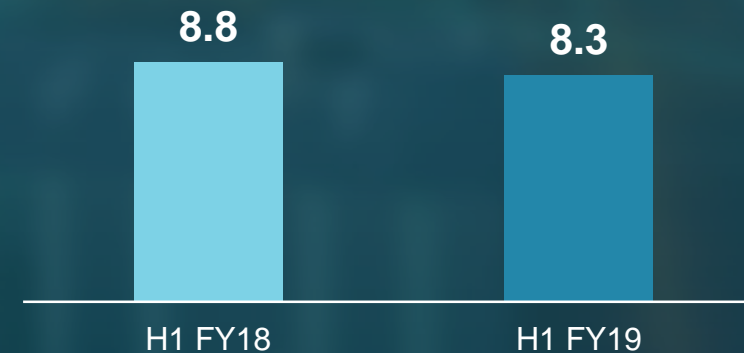
Orders (€bn)

+ 19%¹



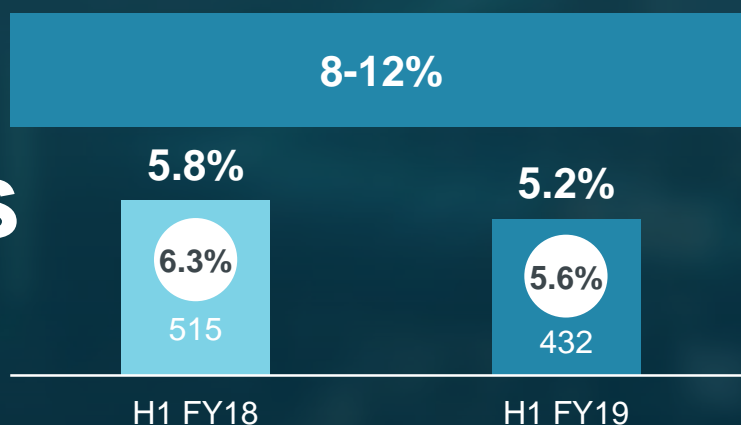
Revenue (€bn)

- 6%¹



Adj. EBITA/
margin (€m)

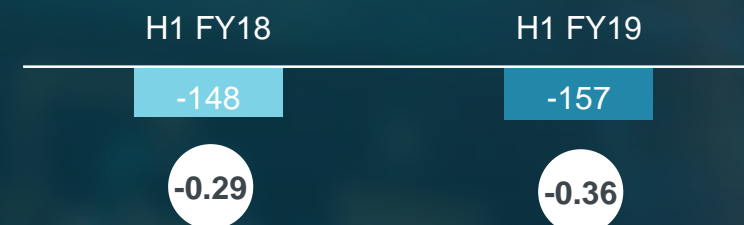
- 60bps



Adj. EBITA margin
excl. severance

Free Cash
Flow (€m)

- 6%



Cash Conversion
Rate (CCR)

¹ Comparable, i.e. adjusted for currency translation and portfolio effects

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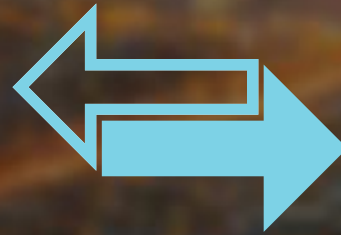
**Clear
targets**



**Broad
portfolio**



**Changing
market**



**Concrete
actions**



Leading along the entire energy value chain















Key figures FY18

€18.5bn Orders	€18.1bn Revenue	4% Adj. EBITA Margin	~ 65,000 Employees
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Position in relevant market

Oil and Gas	Central Power Generation ¹ > 100 MW	Distributed Power Generation < 100 MW	Transmission	Services and Digital
#2	#2	#1	#2	
✓		✓	✓	✓
	✓	✓	✓	✓
	✓	✓		✓
			✓	✓

Customer groups

Oil and Gas	  	✓		✓	✓	✓
Utilities / IPPs	  		✓	✓	✓	✓
Industry	  		✓	✓		✓
TSOs	  			✓		✓

¹ Including LGTs (Large Gas Turbines)

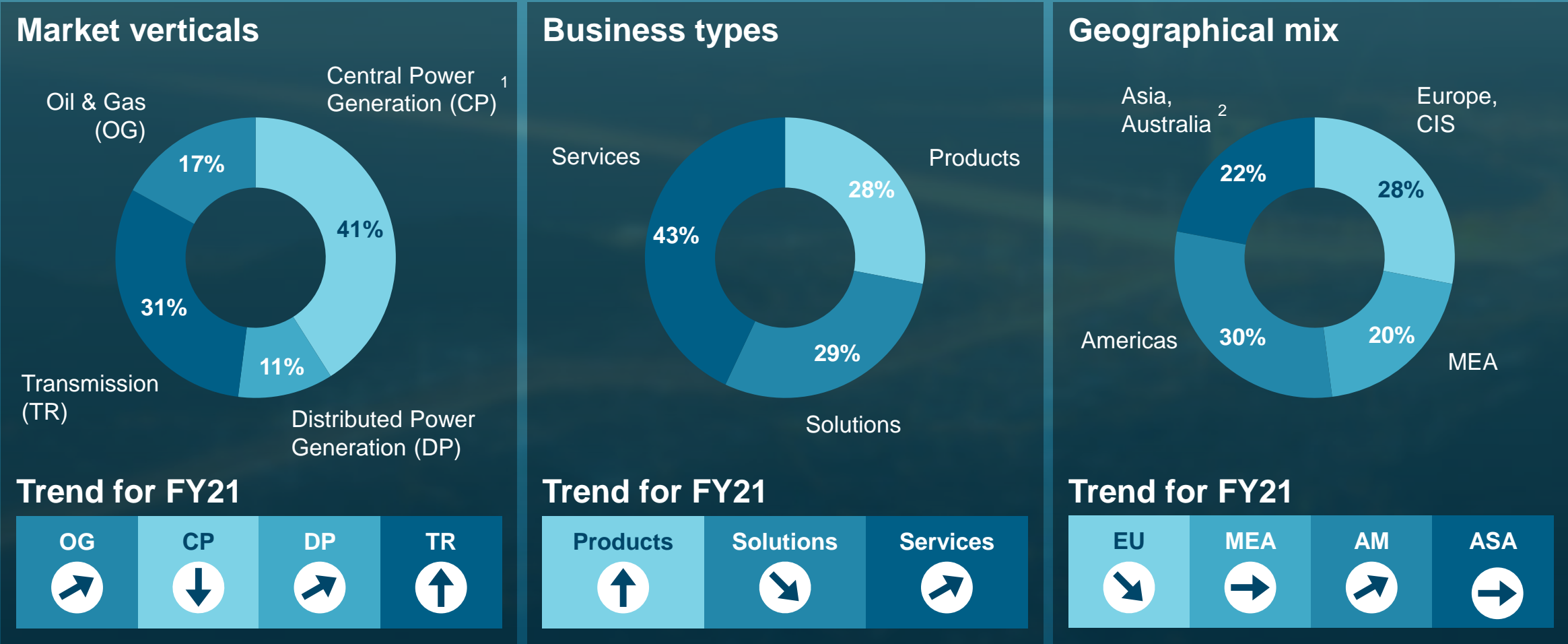
Note: Figures reflect GP OpCO setup as of April 1st, 2019

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Strengthening resiliency through balanced business mix



GP business mix – Revenue FY18



¹ ~87% of Central Power Generation Revenue are LGTs related
Note: Figures reflect GP OpCO setup as of April 1st, 2019
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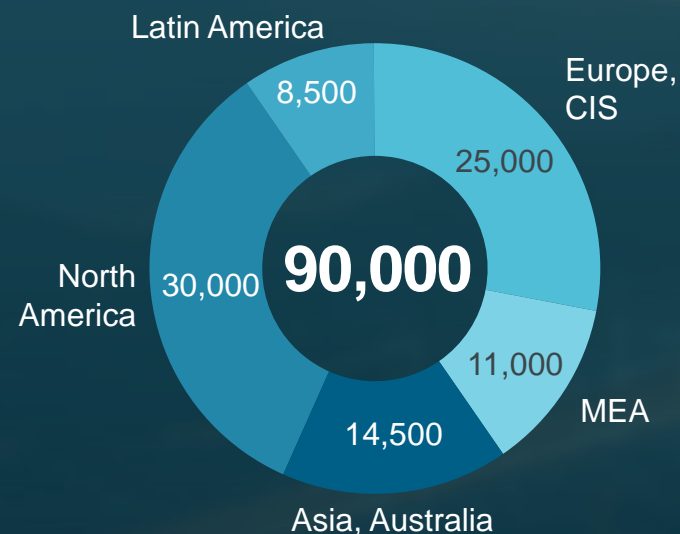
² China share ~35%

Industry-leading Service business



Large and diverse fleet

Service-relevant fleet by region (units)¹

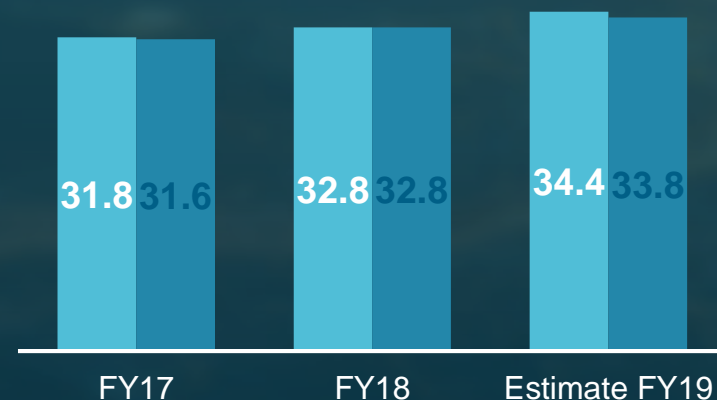


~ **50%** of rotating equipment with several O&G majors

Strong business foundation

Backlog (€bn)

CAGR² + **4.0%** (as reported) + **3.4%** (comparable)

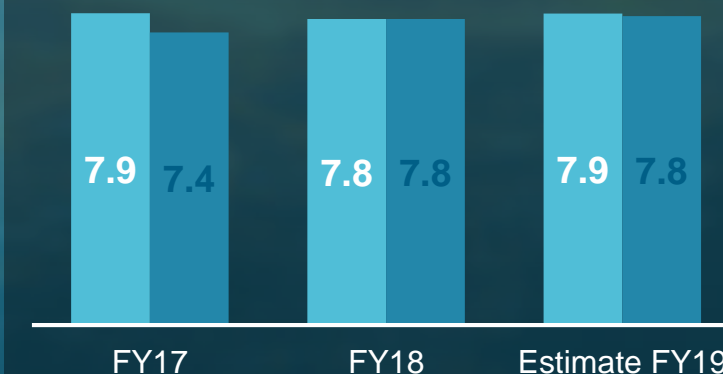


~ **90%** of backlog reflects **long-term programs**

Resilient performance

Revenue (€bn)

Stable (as reported) **CAGR²** + **2.7%** (comparable)



Growth and productivity driving **profit improvement**

¹ Including Service-relevant turbines, generators, compressors, engines

² CAGR FY17-19

As reported Comparable

Large projects are in our DNA and we know how to do them



Our EPC business creates value

- ✓ One EPC business unit
- ✓ Selective bidding
- ✓ Maximize GP value add
- ✓ Stringent risk management
- ✓ Reliable execution



Project NEMO Link
Turnkey full-EPC HVDC – OE €290m



Project Ende Andina
Three thermal and power generation sites – OE €1bn

Gas and Power

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**Clear
targets**



**Broad
portfolio**



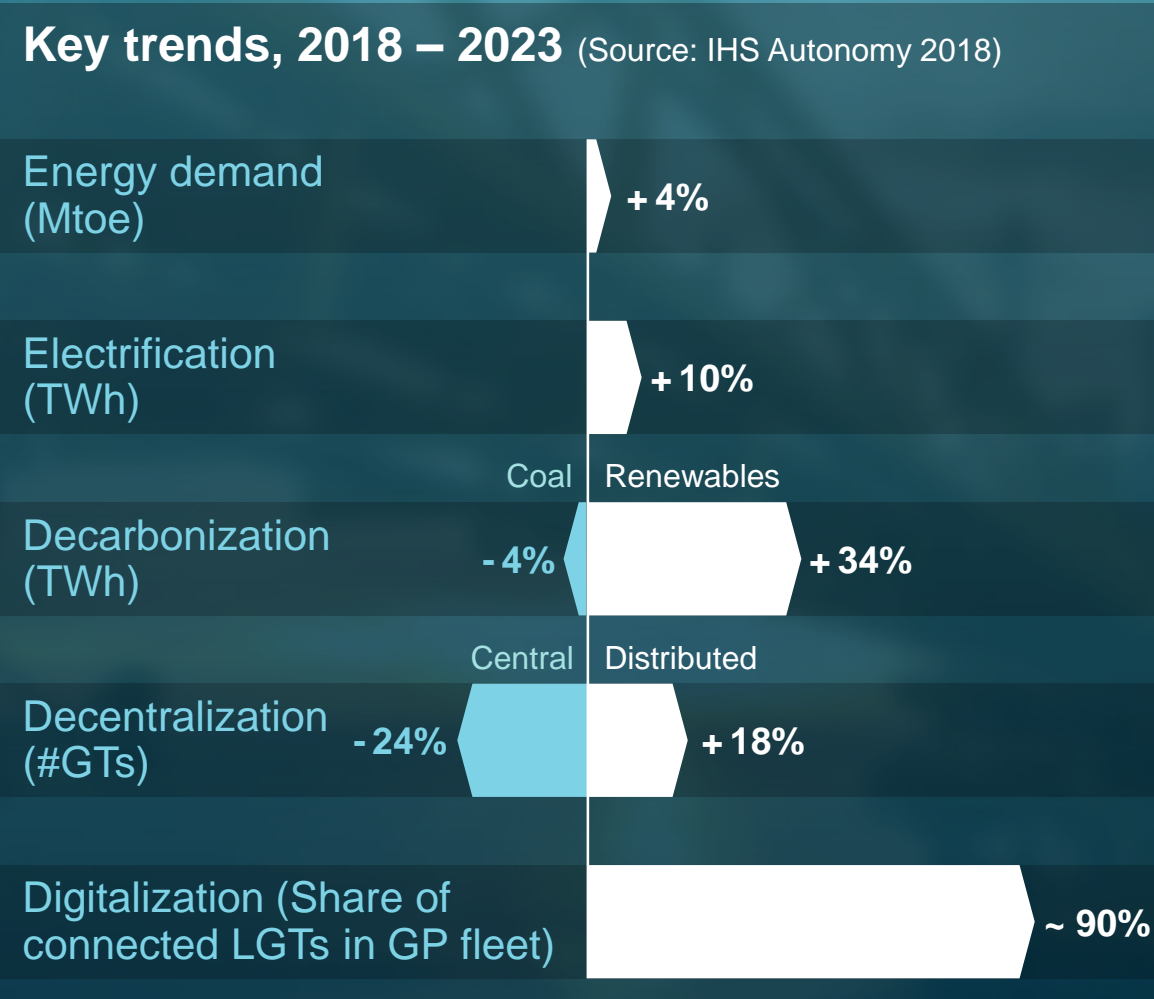
**Changing
market**



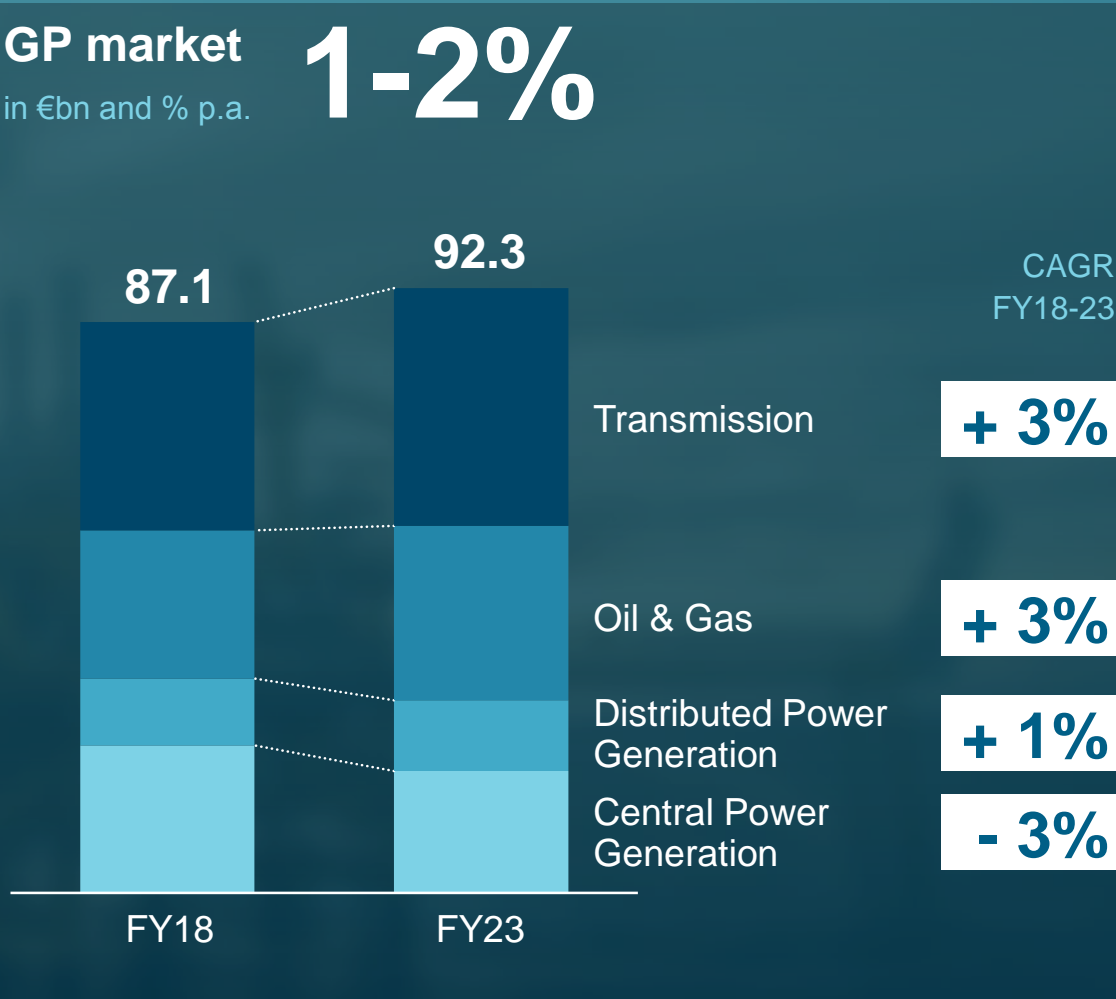
**Concrete
actions**



Market challenges and opportunities



LGT: Large Gas Turbine
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Innovating for customer value across the verticals



Vertical

Changing Customer Needs

GP Answer

Oil & Gas



- Fast return on invest
- Low total installed cost
- Monetize stranded assets

- Integrated system offers
- Digital solutions (topsides 4.0)
- Performance-based contracts

Central Power



- High efficiency
- Flexibility in ramp up/down
- Emissions reduction

- H2 Gas Turbines
- Brownfield exchange
- Project co-development

Distributed Power



- Flexible hybrid solutions
- Captive power
- Standard applications

- Broad gas and steam portfolio
- Integration with battery & Renewables
- Energy as a Service

Transmission



- Secure grid stability
- High grid flexibility
- High energy efficiency

- Innovative products
- Power electronic and grid access solutions
- Real-time monitoring

Gas and Power

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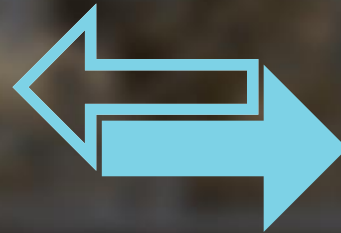
**Clear
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**Concrete
actions**



Implementing concrete actions to achieve our targets



Grow Revenue

- Service excellence for all verticals
- Leading innovation for Transmission growth
- Four key growth areas



Improve Efficiency

- Continue operational productivity drive
- Point R&D towards Service and growth areas



Increase Profit

- Leverage GP setup for significant cost savings
- Ensure project excellence



Deliver Cash

- All levers and all GP
- Compensation tied to cash generation



Our actions

Grow Revenue



Improve Efficiency



Increase Profit



Deliver Cash



- Service excellence for all verticals
- Leading innovation for Transmission growth
- Four key growth areas

Leveraging Service strength to grow in all verticals

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Strong foundation in core

Service Revenue per unit¹

FY16-18 FY18-21

LGT



IGT & AGT



Steam



Transmission



New initiatives

Sample initiatives

Extended O&M

Brownfield Exchange

Remote Field Services & Operation

New Digital

Applied to all verticals

Oil & Gas

- Transfer GT LTP success to compression and steam
- Replace OEMs GTs with Siemens technology

Transmission

- Leverage offshore service assets
- Transfer GT LTP success to Transmission

1 Comparable, excluding FX / portfolio impacts

LGT: Large Gas Turbine

IGT: Industrial Gas Turbine

AGT: Aero Gas Turbine

OOEM: Other OEM

Leading innovation to grow in Transmission



GP growth in Transmission
(>4% p.a.) driven by ...

Innovative
products & systems

End-to-End
integrated solutions

Global footprint &
factory network

Focus areas

RE integration /
Greener energy

+47%

T&D networks until
2040 (+36 mn km)

National grids
reinforcement

€90bn/a

investments in
transmission

Interconnecting
grids

+380 GW

until 2050
("Belt and Road")

GP opportunities

- Blue products portfolio
- Power electronics offerings
- Offshore grid access solutions

- Grid resilience products
- Upgrades of existing assets
- Replacement of aging assets

- Leading HVDC products
- DC transmission offerings
- Digital products / systems

GP innovations (examples)

Offshore
Transformer
Module



Unified Power
Flow Controller







Digital
Substation /
Sensformers®



RE: Renewable Energy

Booking business in new growth areas



	Make fossil energy greener	Deliver power out of a box	Manage grid complexity	Facilitate sector coupling
Projects	 <p>Braskem Chemical, 60% H₂-fueled cogen, Brazil OE: ~ €200m</p>	 <p>Estrella del Mar III, SeaFloat mobile power, Dominican Republic OE: ~ €90m</p>	 <p>Ultranet, Flexible energy transmission, Germany OE: ~ €400m</p>	 <p>Large Power-to-Methanol project, Chile MoU signed</p>
Immediate opportunities	Emission reduction through energy efficiency, fuel change, hybridization	Critical power needs at minimum cost and quickly deployed	New technology (e.g., MVDC+) to address stabilization & flow control	Decarbonization solutions incl. production of alternate fuels and use of H ₂ -fueled gas turbines
Future opportunities	Gas2Wire	Flexible configurations	Real-time active grid control	Green Power-to-Hydrogen

Our actions

**Grow
Revenue**



**Improve
Efficiency**



**Increase
Profit**

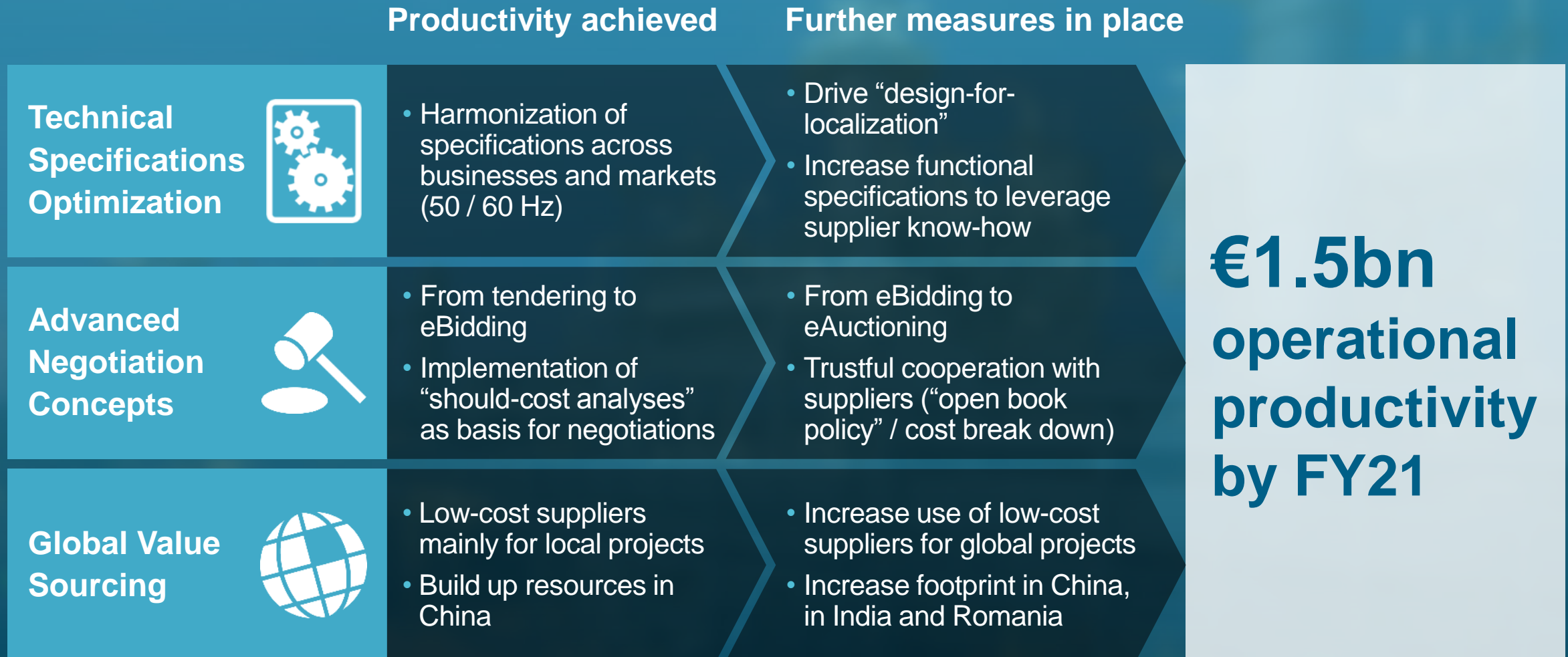


**Deliver
Cash**



- Continue operational productivity drive
- Point R&D towards Service and growth

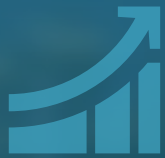
Continue operational productivity drive



Our actions



**Grow
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**Improve
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**Increase
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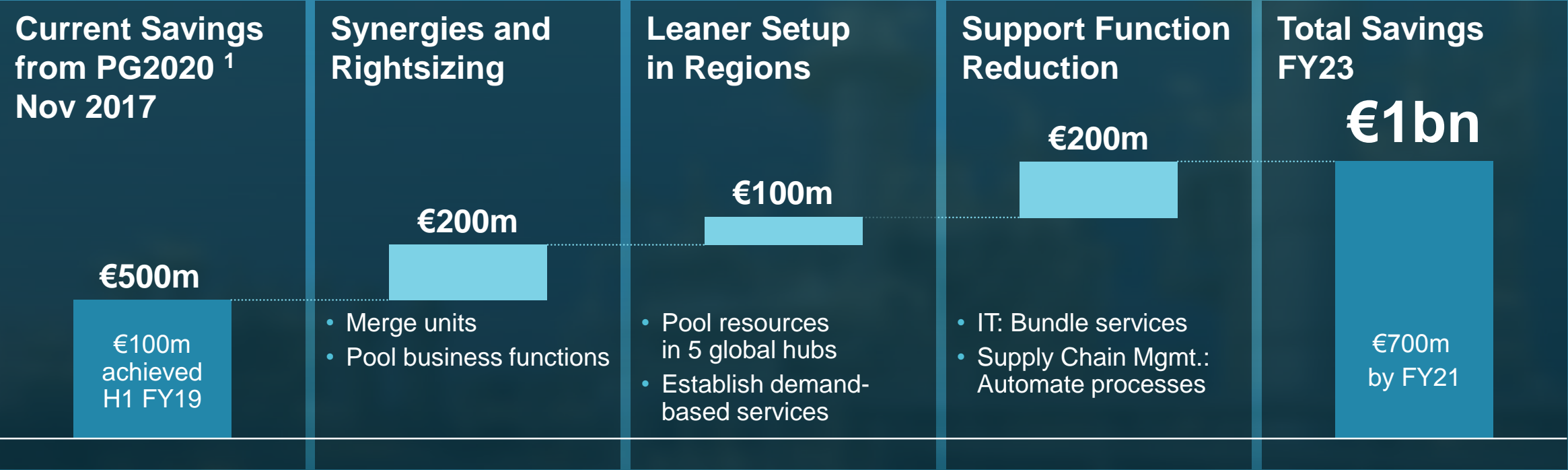


**Deliver
Cash**



- Leverage GP setup for significant cost savings
- Ensure project excellence

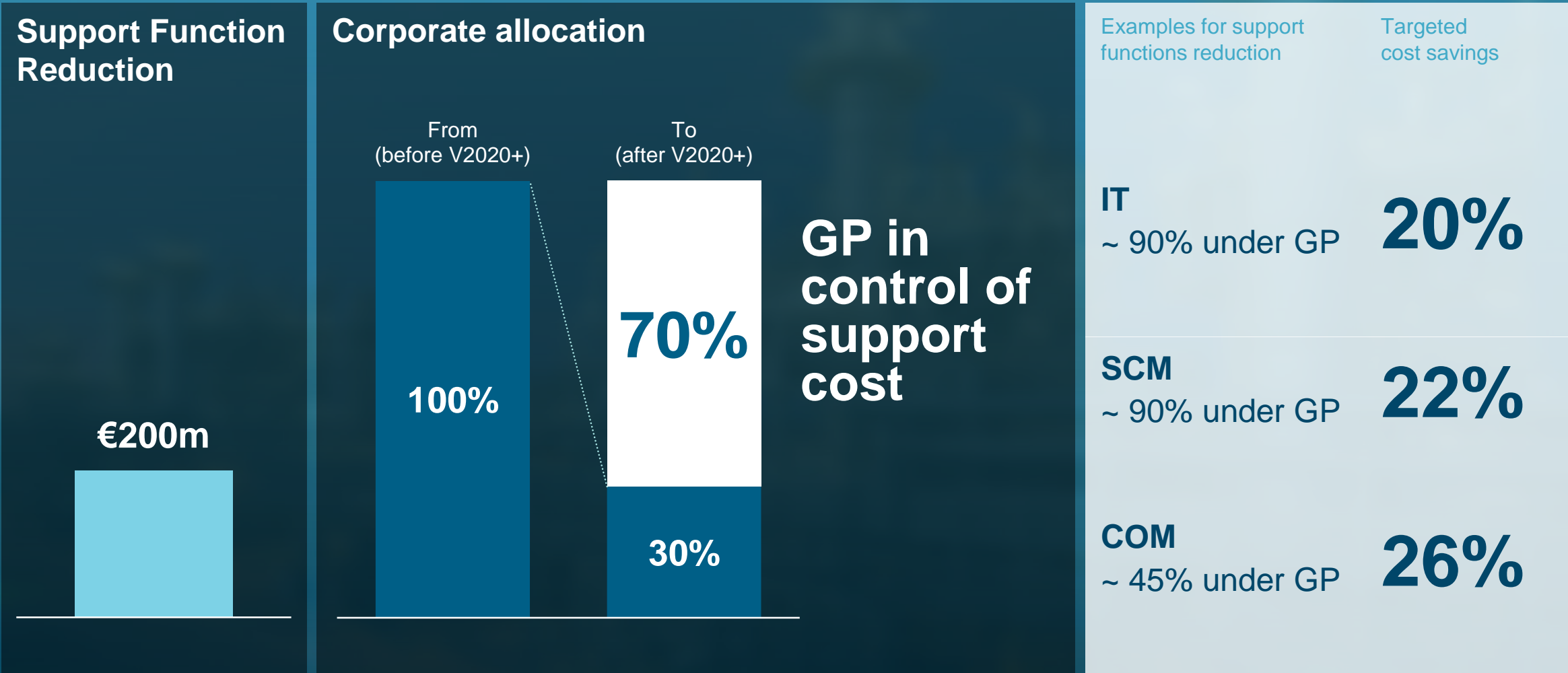
Deliver additional €500m cost reduction by FY23



€500m
additional savings enabled by new GP OpCo setup

¹ Announced in November 2017
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Increased control with 70% of previous corporate allocation now GP managed

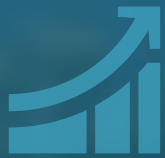


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Our actions



**Grow
Revenue**



**Improve
Efficiency**



**Increase
Profit**



**Deliver
Cash**




- All levers and all GP
- Compensation tied to cash generation

Deliver a CCR of 1.0 by FY21

Current cash performance due to ...

€ Restructuring / cost out

 Fewer pre-payments on projects

 HL product introduction

 Slow supply chain response

Measures in place along entire cash cycle

33% of senior management bonus linked to cash

Inventories

Improve inventory turn by

20%

Reduce lead time via additive manufacturing (up to 50% e.g. SGT-400 Blade1)

Purchasing

Extend payment terms for

>40%

of purchasing volume, expand Days Payables Outstanding

Accounts Receivables

Improve Days Sales Outstanding by

15%

Consequent follow up on accounts receivables to prevent overdues

Customer Payments

Increase share of contract Liabilities by

>10%

For projects EVA > Profit

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Our actions



**Grow
Revenue**



**Improve
Efficiency**



**Increase
Profit**



**Deliver
Cash**



Clear targets, clear commitment



Grow Revenue

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Gas and Power

Prepared for the future!

Leading
portfolio

Experienced
team

More control of
our business

Strong ownership
culture

Clear priorities
and targets

Committed
to delivering

Portfolio



Upstream (Offshore/Onshore)

- Gas compression & injection
- Power generation & distribution
- Advanced Digital Solutions



Midstream

- Pipeline compression
- LNG liquefaction and boil-off gas



Downstream

- Compression for refining
- Petrochemicals
- Power generation



Key Equipment

- Industrial gas turbines
- Aero-derivative gas turbines
- Steam turbines
- Electric drives
- High speed gas engines
- E-houses & modules
- Turbo and reciprocating compression solutions

Highlights



Topsides 4.0

Our digital approach to rotating equipment, electrical & automation systems, and secure communications through the entire life cycle of the asset. Designed for reduced CAPEX and OPEX, shorter project cycle time, enabled for remote operations with integrated automation and safety systems, shorter time to stable operation with virtual training and commissioning on the digital twin, and lower OPEX with reduced staffing, predictive analytics, and integrated asset level optimization



Turbo and reciprocating compression solutions

Compressor solutions can be standardized or tailored to customer needs in a variety of applications – such as on- or offshore oil and gas production, natural gas transmission and distribution, air separation, chemicals, petrochemicals, and refining. Our proven, low maintenance compressor solutions provide outstanding efficiencies and reliability, lowering customer life cycle costs.

Central Power Generation



Portfolio



Large gas turbines
117 MW to 593 MW



Generators
25 MVA to 2,235 MVA



Utility steam turbines
90 MW to 1,900 MW



Power plant solutions

- Gas turbine power plant solutions
- Combined cycle power plants
- Single-shaft and multi-shaft configuration
- Integrated solar combined cycle power plants
- Combined heat and power
- Floating power plant solutions



Instrumentation & Controls

Highlights



Holistic solution capabilities

One-stop solution provider with all critical components enabling innovative, fully integrated, optimized and even specialized power plant solutions (simple / combined cycle, combined heat and power, floating, and more)



Sector Coupling solutions

Integrated renewable energy systems ranging from 1 MW up to GWs (incl. electrolyzer)

Distributed Power Generation



Portfolio



Aeroderivative gas turbines
(4 MW to 71 MW)



Industrial gas turbines
(5 MW to 57 MW)



Pre-designed and industrial steam turbines
(<10 kW to 250 MW)



Industrial power plant solutions (IPPS)



Instrumentation & Controls



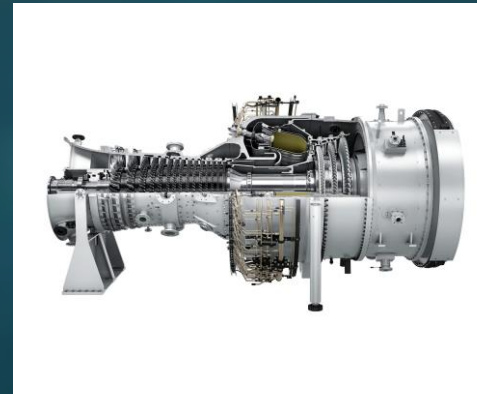
Diesel and gas engines up to approximately 2 MW

Highlights



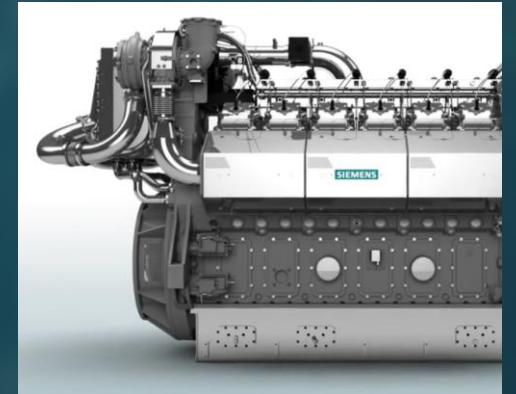
Fast Power

Solutions that can provide gas turbine generation capacities in just six months or less.



SGT-800 gas turbine

Designed for flexible operation, high efficiency and reliability, and low emissions.



Gas engines

Delivering highest efficiency, displacement within smallest footprint, available in the fastest cycle times

Portfolio



High-voltage switchgear & devices



Power transformers



Substations



Grid access and connection solutions



HVDC and MVDC direct current transmission systems



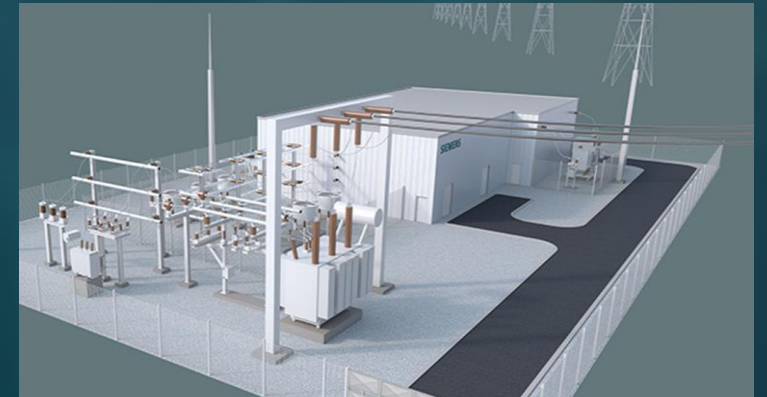
Totally integrated power solutions

Highlights



High-voltage direct current (HVDC) transmission systems

Stabilize power grids for greater renewables integration. Our HVDC systems are equipped with special control and protection functions to help address the challenges of distributing energy to consumers over greater distances and varied sources, paving the way for greater adoption of renewables. HVDC also makes it possible to selectively control the power flow, stabilize the voltage, and smooth out frequency fluctuations.



Frequency stabilizer

Compensate for voltage and frequency fluctuations in milliseconds. In the near future, power management systems alone will no longer be able to compensate for imbalances in power grids. Our innovative and economical SVC Plus FS solution is the missing link to ensure the grid stability needed in this era of transition to a new energy mix.

Portfolio



Standard Services

Parts, field service, repairs and overhauls, remote operational service



Service programs

lifetime extension, modernization and upgrades



Performance Enhancements

Long term programs, operation and maintenance, leasing programs, condition-based maintenance



Digital Services

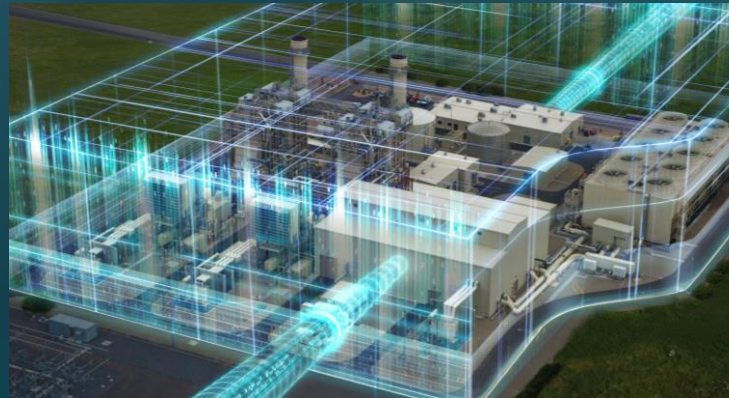
Combining physical OEM services with intelligent data capabilities



Training and Consulting

Training for customers and partners on equipment operation and maintenance, EHS portfolio

Highlights



Cyber Security Services

Comprehensive end-to-end measures for fleet-wide protection as managed services: the full scope of cyber security detection and management.

- Leveraging Operational Technology (OT) know-how to provide visibility into and control over their operating environment
- Detection, investigation, and response to security incidents in real-time
- Service scope comprising security consulting, managed services, dedicated professional services as well as security products



Additive Manufacturing

AM refers to a production process in which components are “printed” layer by layer on the basis of digital 3-D design data

- With additive manufacturing technology parts for industrial gas turbines are repaired up to six times faster
- 50% lead time reduction
- 30% reduction of greenhouse gas emissions
- 63% less resources in production process
- 60% faster repairs
- More flexibility for design of parts

Digital Services deliver customer value that is proven in the marketplace

Combining physical OEM services with intelligent data capabilities

Digital Services makes valuable assets even better

