

CMD 2023

# Transformation of Industry

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# We decarbonize industrial processes

... by 3 main levers ...

... addressed through our 4 businesses



**Energy Efficiency**  
increasing the efficiency of existing assets



**Electrification**  
converting industrial processes from fossil fuels to electricity



**Hydrogen**  
producing and transporting green hydrogen and clean fuels

**Industrial Steam Turbines and Generators (STG)**  
providing process steam and converting heat to electricity

**Electrification, Automation and Digitalization (EAD)**  
electrifying industrial processes

**Sustainable Energy Systems (SES)**  
manufacturing electrolyzer systems for hydrogen production

**Compression (CP)**  
compressing, transporting and storing fuels across all decarbonization offerings

## Key facts & figures for FY23

Market Position<sup>1</sup>

#1 STG	#2 CP
#2 EAD	Top Pioneer SES

Revenue



Profit margin before SI<sup>2</sup>

**5.1%**

Order Backlog

**€7.1bn**

Installed Units

**>85,000**

<sup>1</sup> Market position related to addressed market according to SE internal assessment | <sup>2</sup> SI = Special Items

Since CMD 2022

# Turnaround ahead of plan

## Structural transformation since FY22



~€140m

Footprint optimization

Closed or right sized 11 production sites and workshops



~€130m

Portfolio streamlining

Divested non-core businesses

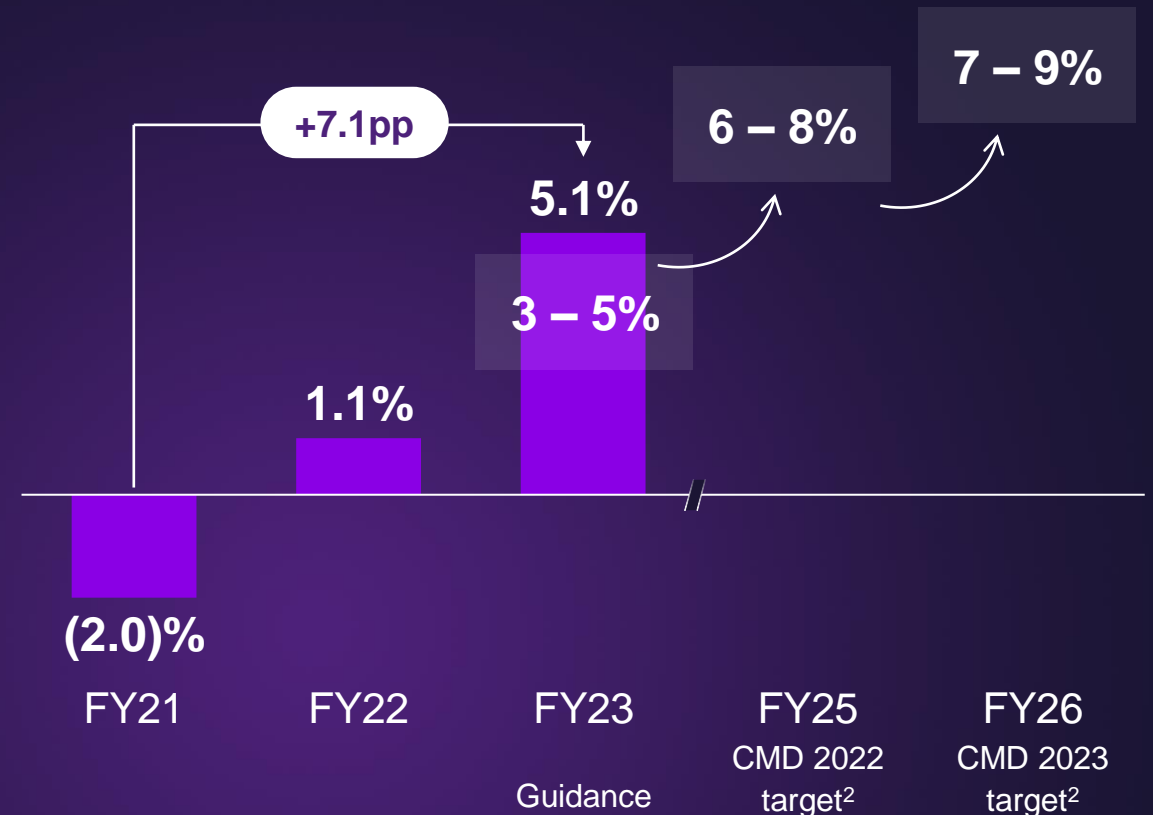


~€300m

Operational excellence

Improved productivity, quality and delivery time

## Continuous profit margin<sup>1</sup> improvement



<sup>1</sup> Profit margin before Special Items | <sup>2</sup> Profit margin as reported

Since CMD 2022

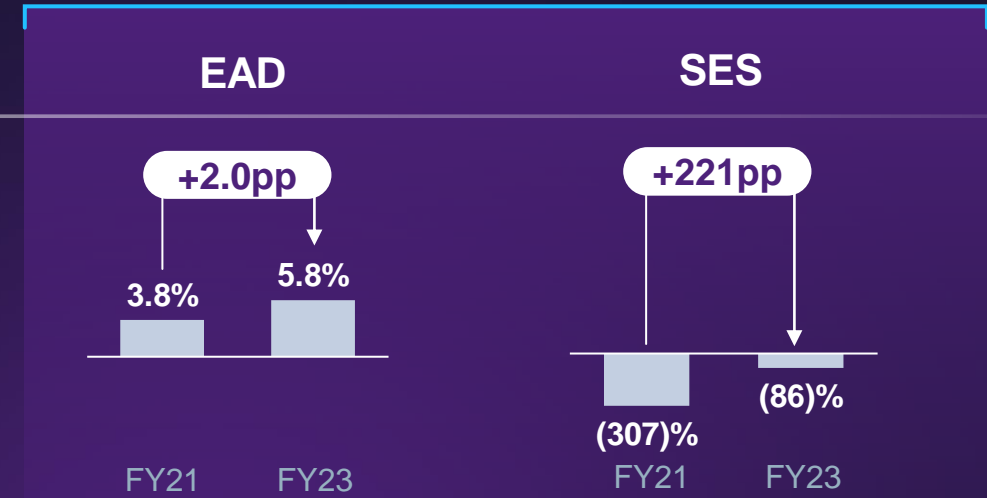
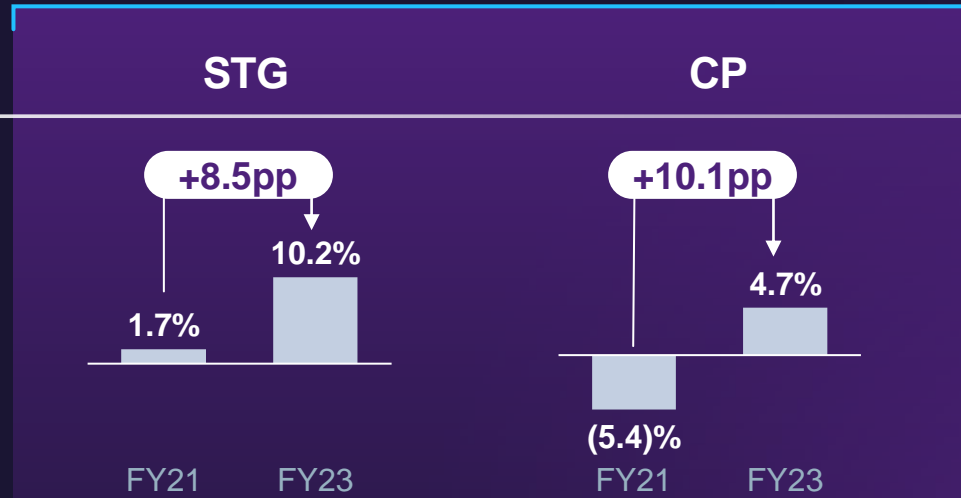
# All TI businesses delivering ahead of expectations

Focus on  
**turnaround**

Focus on  
**growth**

**FY23**

**Profit margin**  
before SI<sup>1</sup>



**Growth**  
Revenue CAGR  
FY21 – FY23



**Key achievements**

- 60% service share
- Exit from coal in FY20
- Most profitable OEM outside of India
- 30% footprint reduction
- Selectivity and market focus
- High margin service growth
- Exit non-core businesses
- Align to most attractive process industries markets
- Push maritime and offshore
- Top 3 of 50+ competitors
- 1 GW order backlog expected by end 2023
- Opened 1 GW capacity Gigafactory

# Strong foundation for further profit expansion

## Main profitability drivers



### Maximize service share

- Leverage huge fleet and digitalization to grow resilient profitability
- Capture brownfield demand with highly profitable modernization and upgrades
- Maintain >50% service share for STG and CP



### Focus on selectivity

- Prioritize profitability over growth
- Leverage market growth to improve price and risk profile



### Continue operational excellence & productivity

- On time and on quality deliveries, supply chain resilience
- Customer satisfaction (NPS) increased by +32%
- Focus on overhead reduction and Capex efficient growth

**>85k**

installed units

**>50%**

increase in service order backlog<sup>1</sup>

**~250bps**

service backlog profitability increase<sup>1</sup>

**~400bps**

gross margin increase in orders<sup>1</sup>

**<1% Capex**

average expenditure (FY24 – FY26) as percentage of revenue

# Industry decarbonization drives 11% market growth

## Market drivers

>30%

GHG emissions from industry

>3,600

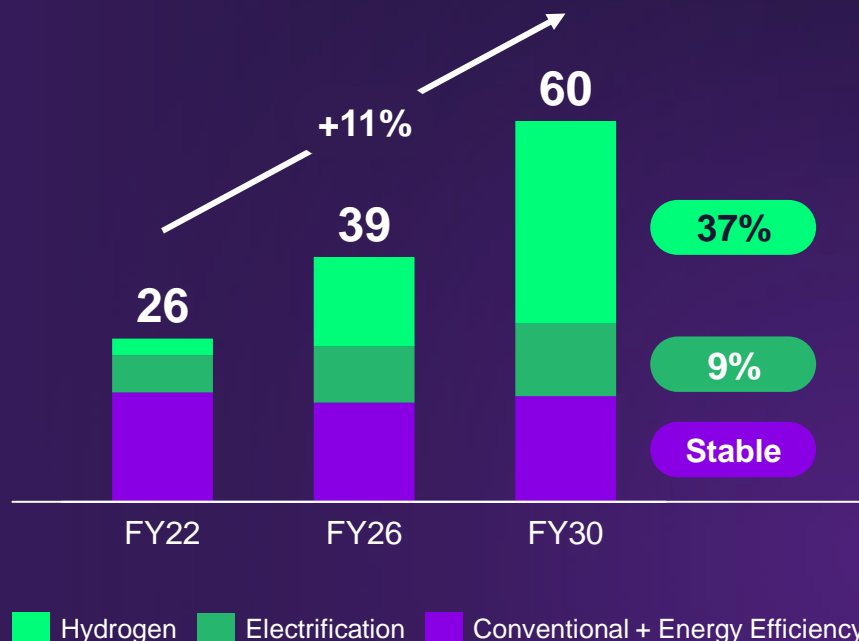
companies with SBTi targets<sup>1</sup>

~€130bn

clean industrial energy commitment<sup>2</sup> since 2020

## TI market development

in €bn  
CAGR FY22 – FY30



## Key levers

### Energy efficiency

to reduce energy consumption

### Electrification

to convert industry from fossil fuels to electricity

### Hydrogen and e-fuels

to decarbonize hard-to-abate sectors

<sup>1</sup> Science based Target company count per June 2023 from Sciencebasedtargets.org | <sup>2</sup> Global government spending targeting hydrogen, CCUS, and industrial energy efficiency per analysis of IEA Government Energy Spending Tracker

Transition to capture future growth

# >60% of TI business will be clean tech by FY26

Transitioning from oil and gas to process industries

... and from conventional towards decarbonization

New unit orders in %

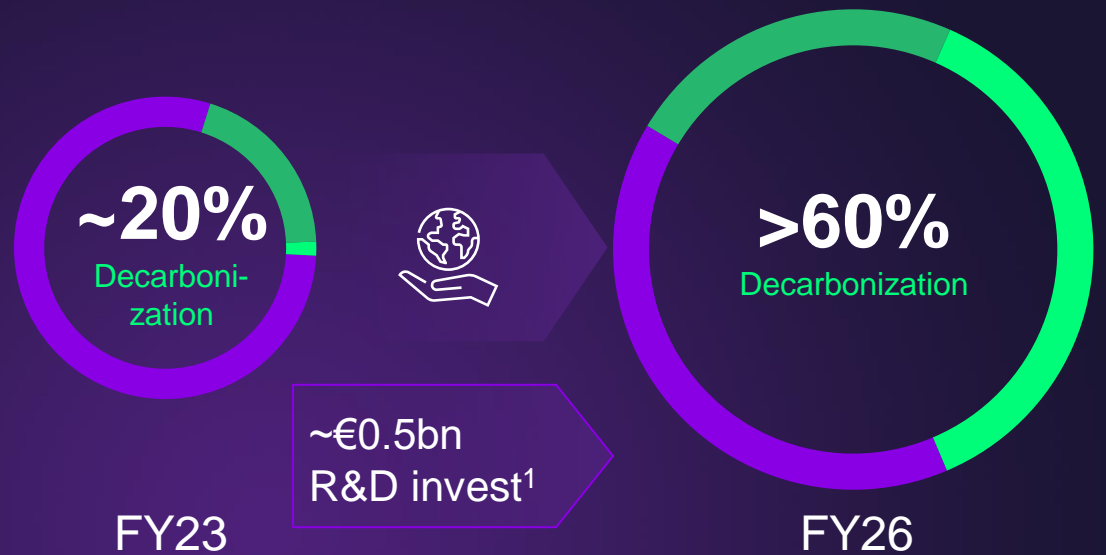
Oil and gas Process industries



Process industries include chemicals, iron and steel, cement, pulp and paper, maritime, etc.

New unit orders in %

Conventional + Energy Efficiency Electrification Hydrogen



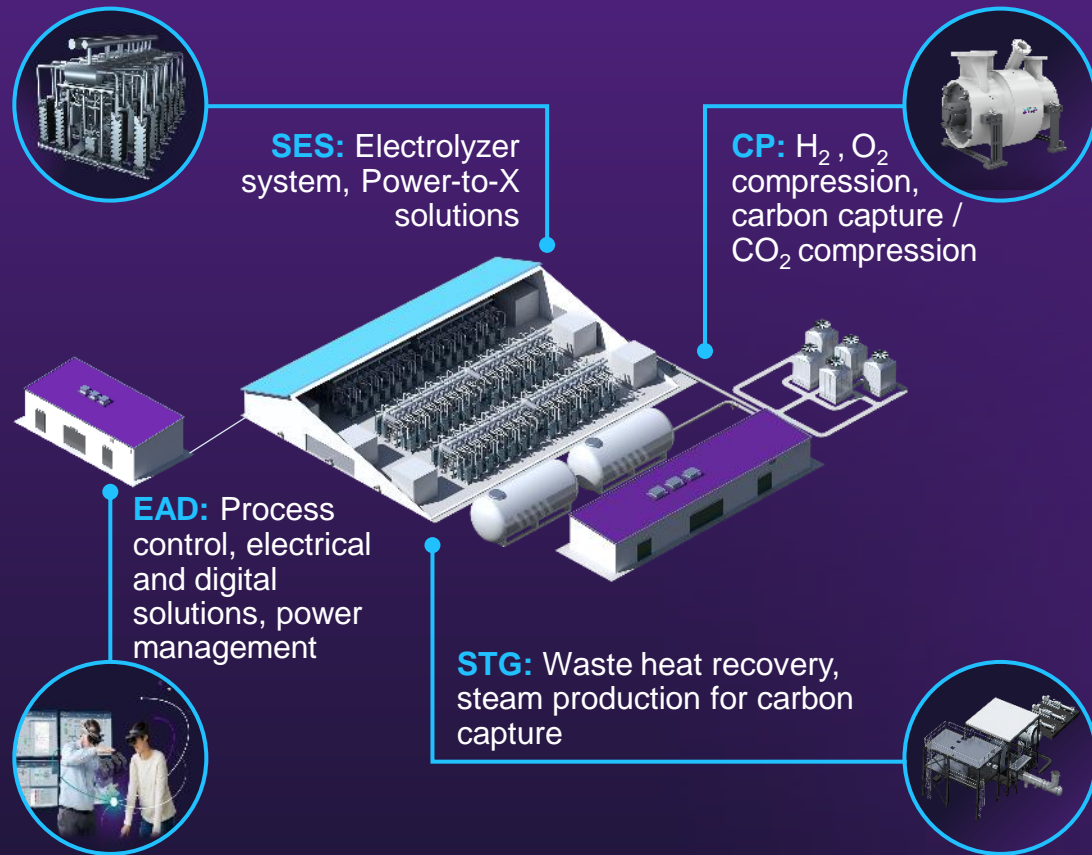
Decarbonization defined as TI hydrogen and electrification portfolio. Does not include TI energy efficiency portfolio.



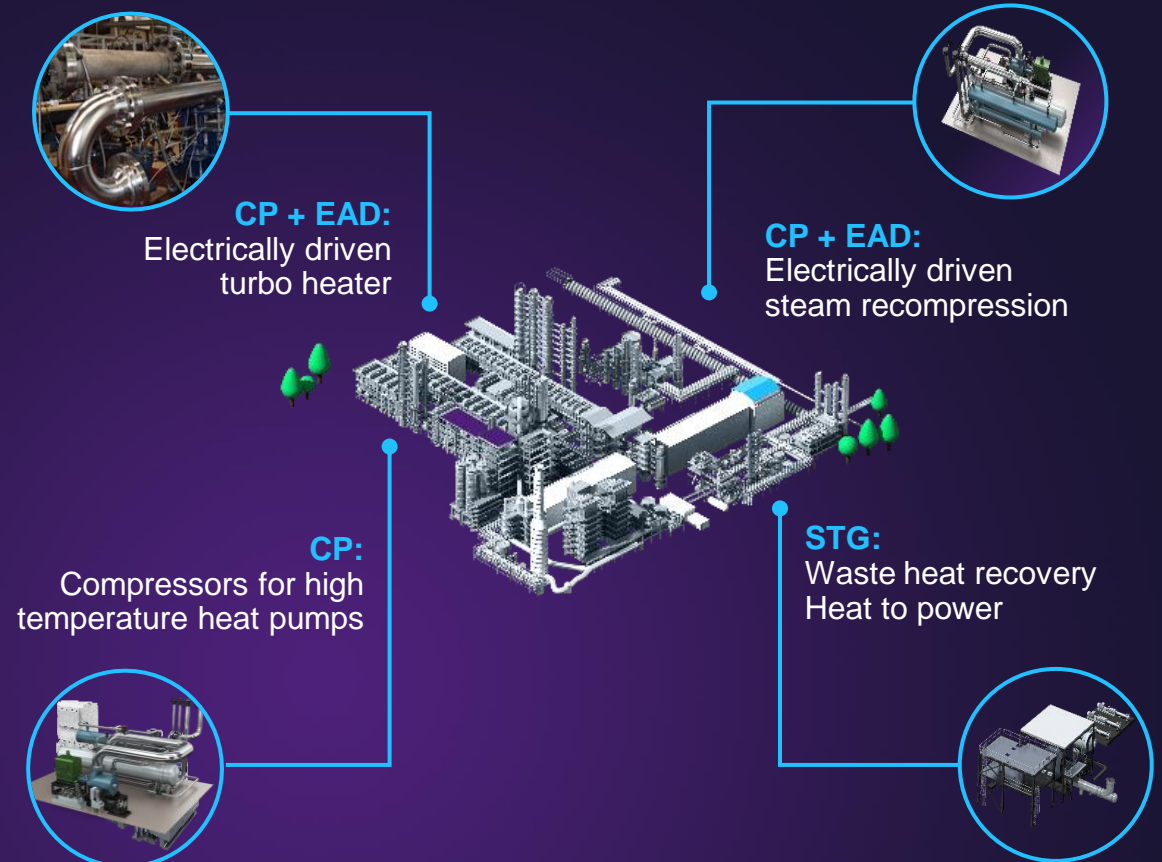
Transition to capture future growth

# TI portfolio serves demand for electrification and hydrogen

## Hydrogen and Power-to-X



## Industry electrification – Decarbonized heat



## Project examples

# ... with business opportunities already today

### Electrification

Meram (ADNOC)



World's lowest-emission gas processing facility

TI business involved: CP + EAD

**80% CO<sub>2</sub> reduction**  
versus conventional gas processing

### Carbon Capture

Louisiana Clean Energy Complex (APCI)



Blue hydrogen production with carbon capture

TI business involved: STG + EAD

**>5,000,000 t**  
CO<sub>2</sub> captured per year

### Hydrogen and eFuels

Flagship SERIES (Liquid Wind)



Largest commercial production facility for carbon neutral marine fuels

TI business involved: SES + CP + EAD

**Up to ~2,000,000 t**  
CO<sub>2</sub> abated per year

# Four businesses poised for profitable growth

FY26	Focus on <b>profitability / service</b>		Focus on <b>growth</b>		Transformation of Industry
	STG	CP	EAD	SES	
<b>Profit margin</b>	9 – 11%	9 – 11%	8 – 10%	Break-even	7 – 9% 6 – 8% <sup>1</sup>
<b>Growth</b> Revenue CAGR FY23 – FY26	Mid single digit	Mid single digit	Low double digit	Low triple digit	High single digit Mid single digit <sup>1</sup>
<b>Key drivers</b>	<ul style="list-style-type: none"> <li>Increase and service the fleet, maintain 60% service share</li> <li>Focus on fuel shift and decarbonization</li> </ul>	<ul style="list-style-type: none"> <li>Maximize service to reach 50% service share</li> <li>Reach 50% decarbonization portfolio (H2, carbon capture)</li> </ul>	<ul style="list-style-type: none"> <li>Capture industrial electrification trend</li> <li>Improve profitability through selectivity, service mix, operational excellence</li> </ul>	<ul style="list-style-type: none"> <li>Capitalize on hydrogen megatrend to scale and become profitable</li> <li>Reach 4 GW+ electrolyzer production capacity</li> </ul>	

# In a nutshell ...

## Transformation of Industry



### Turnaround ahead of plan

>700bps profit increase to 5.1% in FY23 (vs. negative 2.0% in FY21)



### Strong foundation for further profit expansion

Service growth, selectivity, operational excellence and low capital intensity



### Industry decarbonization drives 11% market growth

Immediate need for brownfield energy efficiency, electrification and hydrogen



### >60% of TI business will be clean tech by FY26

Transitioning from oil and gas to process industries, and from conventional to decarbonization



### We raise our targets for FY26

High single digit revenue growth (CAGR FY23 – FY26) vs. mid single digit (CAGR FY22 – FY25)  
Profit margin of 7 – 9% in FY26 vs. 6 – 8% in FY25

# TI raises targets for FY26

## Four businesses poised for profitable growth

**11%**  
**Market**  
**CAGR**  
**by 2030**

### Revenue Drivers

- Build on momentum from industry **decarbonization**
- Scale up **hydrogen** and **electrification** offerings to capture megatrends

### Profitability Drivers

- **Service** – maximize service share
- **Selectivity** – prioritize profitability over growth
- **Operational excellence** – focus on productivity and cost discipline

### High single digit

Revenue growth<sup>1</sup>

**7 – 9%**

Profit margin<sup>2</sup>

**~3%**

R&D<sup>3</sup>

**~€200m**

Capex<sup>4</sup>

<sup>1</sup> Comparable revenue growth CAGR (FY23 – FY26), excluding currency translation and portfolio effects | <sup>2</sup> Profit margin as reported | <sup>3</sup> Average R&D expenditure FY24 – FY26 | <sup>4</sup> Cumulative capital expenditure FY24 – FY26

# Backup



# STG – Industrial Steam Turbines and Generators (1/2)

## Business activity and portfolio

- Customized provision of **steam** for process industries
- **Efficient transformation of heat into electricity**
- **Steam turbines** including CCPP<sup>1</sup>, **generators**, grid stability, efficiency upgrades, waste heat recovery systems including for hydrogen and carbon capture



## Achievements

- Turnaround: **+850bps profit margin since FY21**
- **Coal exited** (no bid for new coal-fired projects since 2020)
- **~60% high margin service share in revenue**
- Non-conformance costs **~3%** in FY23

## FY23

**€1.6bn**  
Orders

**€1.4bn**  
Revenue

**10.2%**  
Profit margin before SI

**>60k**  
Installed fleet

## Project example



### Fuel shift (JPN)

Replacing coal-fired power plants with 18 renewable power (biomass) plants

**~1,000,000 t CO<sub>2</sub>**  
abated every year

<sup>1</sup> Combined Cycle Power Plants

# STG – Industrial Steam Turbines and Generators (2/2)

## Key Drivers

- **Serving and increasing the fleet** via modernization, upgrades and footprints will boost profitability
- **Operational excellence** to support growth in profitability
- **Focus on decarbonization opportunities** related to fuel shift – biomass, compressed air energy storage and waste-heat recovery

## Mid-term perspective FY26

**4 – 5%**

Market growth<sup>1</sup>

**#1**

Market position

**Mid single digit**

Revenue growth<sup>2</sup>

**9 – 11%**

Profit margin

**~60%**

Service share<sup>3</sup>

**>35%**

Decarbonization share<sup>3</sup>

<sup>1</sup> CAGR FY22 to FY30 | <sup>2</sup> CAGR FY23 to FY26 | <sup>3</sup> Based on orders



# CP – Compression (1/2)

## Business activity and portfolio

- Compression solutions for all gases incl. H<sub>2</sub> and CO<sub>2</sub>
- **Key enabler** for all decarbonization processes incl. hydrogen, eFuels, carbon capture, heat recovery and utilization
- **Unique portfolio of turbo and reciprocating compressors** ideal for decarbonization and industrial markets



## Achievements

- **Successful turnaround: +1,019bps** profit margin since FY21
- **~45% high margin service share in revenue**
- Shifting focus away from oil and gas towards **process industries and decarbonization**

## FY23

€2.1bn  
Orders

€1.8bn  
Revenue

4.7%  
Profit margin before SI

25k  
Installed fleet



First of its kind and world's largest direct air capture facility

**~500,000 t CO<sub>2</sub>**  
removed every year

Core technology to decarbonize industry

# CP – Compression (2/2)

## Key Drivers

- **Expanding decarbonization business** in hydrogen, heat, e-fuels and carbon capture
- **Growing high margin service business** via electrification, modernizations and upgrades
- Lean operations, cost out and selectivity enabling further **profitability growth**

## Mid-term perspective FY26

**3 – 4%**  
Market growth<sup>1</sup>

**#2**  
Market position

**Mid single digit**  
Revenue growth<sup>2</sup>

**9 – 11%**  
Profit margin

**>50%**  
Service share<sup>3</sup>

**~50%**  
Decarbonization share<sup>3</sup>

<sup>1</sup> CAGR FY22 – FY30 | <sup>2</sup> CAGR FY23 – FY26 | <sup>3</sup> Based on orders

Converting industrial processes from fossil fuels to electricity

# EAD – Electrification, Automation and Digitalization (1/2)

## Business activity and portfolio

- Powering industry with electricity with own products and solutions
- Focus on industrial decarbonization: Offshore electrification, low carbon maritime, e-LNG and industrial electrification
- Integrate digital offerings with micro grids, storage, power management, control and automation



## Achievements

- Growth: 12% revenue growth yoy
- Profitability improved: +200bps profit margin since 2021
- Increased decarbonization mix to ~30% in FY23

## FY23

€1.6bn  
Orders

€1.2bn  
Revenue

5.8%  
Profit margin before SI

500+  
Projects executed



**Lower GHG emissions by electrification of compressor trains**  
through design, engineering, automation and integration

Converting industrial processes from fossil fuels to electricity

# EAD – Electrification, Automation and Digitalization (2/2)

## Key Drivers

- Capture **electrification megatrend**: 50% of world primary energy from electricity in 2050 vs. 22% in 2020
- **Margin expansion via focused profit prioritization** (pricing and selectivity measures, service focus) plus maintaining operational excellence
- **Increase share of own product and targeted growth in 4 focus sectors**: offshore electrification, low carbon maritime, e-LNG and industrial electrification

## Mid-term perspective FY26

**6 – 8%**

Market growth<sup>1</sup>

**#2**

Market position

**Low  
double digit**

Revenue growth<sup>2</sup>

**8 – 10%**

Profit margin

**>20%**

Service share<sup>3</sup>

**>50%**

Decarbonization mix<sup>3</sup>

<sup>1</sup> CAGR FY22 – FY30 | <sup>2</sup> CAGR FY23 – FY26 | <sup>3</sup> Based on orders

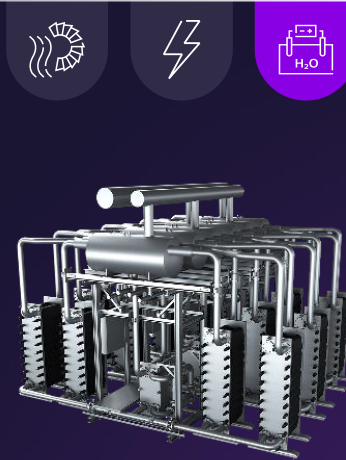


Capitalize on green hydrogen megatrend

# SES – Sustainable Energy Systems (1/2)

## Business activity and portfolio

- Produce green hydrogen to replace fossil fuels using electrolyzer systems
- Establish and improve Power-to-X integration concepts and solutions to produce methanol, ammonia and e-Fuels



## Achievements

- Order growth: ~+680% since FY21
- Berlin Gigafactory: 1 GW / year capacity electrolyzer production
- 0.5 GW of secured order backlog across all hard-to-abate sectors (chemicals, oil and gas, mobility)

## FY23

€0.3bn  
Orders

€82m  
Revenue

-86%  
Profit margin before SI

22  
Pre-/Feeds

## Project example



200 MW  
one of the largest PEM electrolyzer

~250,000 t CO<sub>2</sub>  
abated per year

Capitalize on green hydrogen megatrend

# Sustainable Energy Systems (2/2)

## Key Drivers

- **Scale and deliver**  
Execute electrolyzer projects and scale up Berlin Gigafactory capacity from 1 to 4+ GW by 2026
- **Manage growth**  
Build on industrial partnerships and diversified supply chain to jointly manage risk in a fast-growing industry
- **Leverage strong industrial organization**  
Vast system and solution integration competence and global service footprint ready to serve new installed fleet

## Mid-term perspective FY26

**x10**

Market growth by 2030

**>10%**

Market share

**Low triple digit**

Revenue growth<sup>1</sup>

**Break-even**

Profit margin

**4+ GW**

Gigafactory electrolyzer capacity

**100%**

Decarbonization share

<sup>1</sup> CAGR FY23 – FY26