Siemens Energy to accelerate its journey to deliver profitable growth and fix wind business while maintaining a solid financial foundation

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Our mission

Supporting our customers in transitioning to a more sustainable world, based on our innovative technologies and our ability to turn ideas into reality

Key messages

We have been changing the shape of the company to capitalize on the energy transition

Operational improvements introduced, including the new group structure, have been playing out **across Gas Services, Grid Technologies and Transformation of Industry, but not yet at Siemens Gamesa**

We will accelerate our journey focusing on three priorities:

- Deliver on profitable growth
- Fix the wind business
- Maintain solid financial foundation

Energy market
Opportunities and risks

Capitalizing on opportunities

1 Increasing demand
- Emerging markets with strong electrification growth
- Governmental investment programs

2 Adjusted policy frameworks
- Frameworks to support transition (IRA, EU Wind)
- Further decarbonization drive (e.g., carbon pricing)

3 Sensitivity to security of supply
- Need for fuel-flexible generation
- Pressure on grid stability

Managing risks

1 Macroeconomic factors
- Persistent inflation
- High interest rates
- Recession risks and high public debt

2 Geopolitical conflicts
- Expansion of Middle East conflict
- Escalation of war in Ukraine

3 Supply chain constraints
- Demand-supply anomalies (esp. minerals)
- Industry bottlenecks (e.g., jack-up vessels)

Strong delivery on our CMD 2022 commitments overshadowed by issues at Siemens Gamesa

01 ✓	02 ✓	03 ✓	04 ✓	05 ✗
New operating model for GP	**Gas Services**	**Grid Technologies**	**Transformation of Industry**	**Siemens Gamesa**
• Customer focus • Transparency • Accountability	• Service share • Decarbonization • Cost optimization	• HVDC ramp-up • Portfolio streamlining • Operational robustness	• SES industrialization • Decarbonization offering • Operational delivery	• New operating model • Onshore turnaround • Offshore ramp-up

Achievements vs. guidance

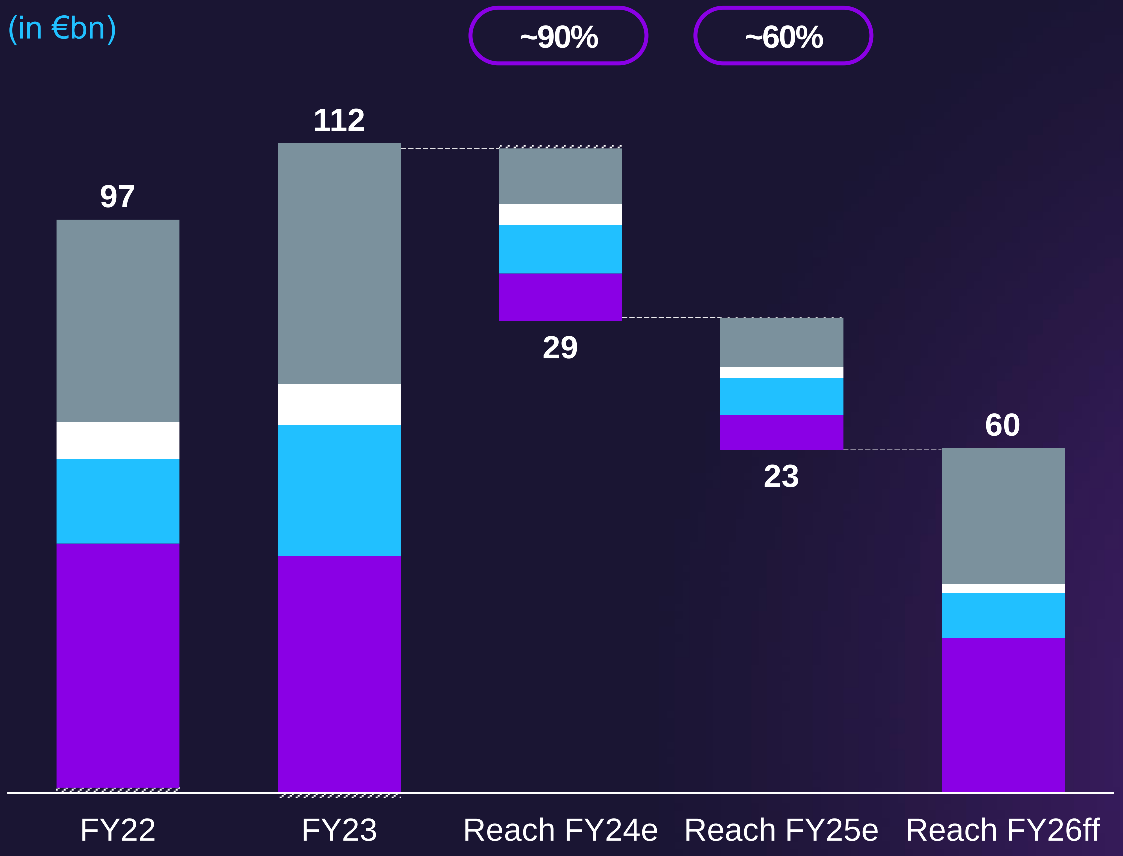
Profit margin before SI FY23 (Target)	**9.5%** (9 – 11%)	**7.5%** (6 – 8%)	**5.1%** (3 – 5%)	**neg. €4.3bn** (–)
Comp. revenue growth FY22 – 23 (Target)	**18%** (0 – 4%)	**17%** (5 – 9%)	**12%** (5 – 9%)	**neg. 5%** (–)
Customer Satisfaction (NPS, Delta vs. FY22)	**60** (+12 pts)	**65** (+10 pts)	**45** (+11 pts)	**16** (-1 pt)

Note: FY23 targets as per Q4 2022 analyst call

Order backlog as a source of strength and resilience for former GP businesses and providing visibility on path forward for Siemens Gamesa

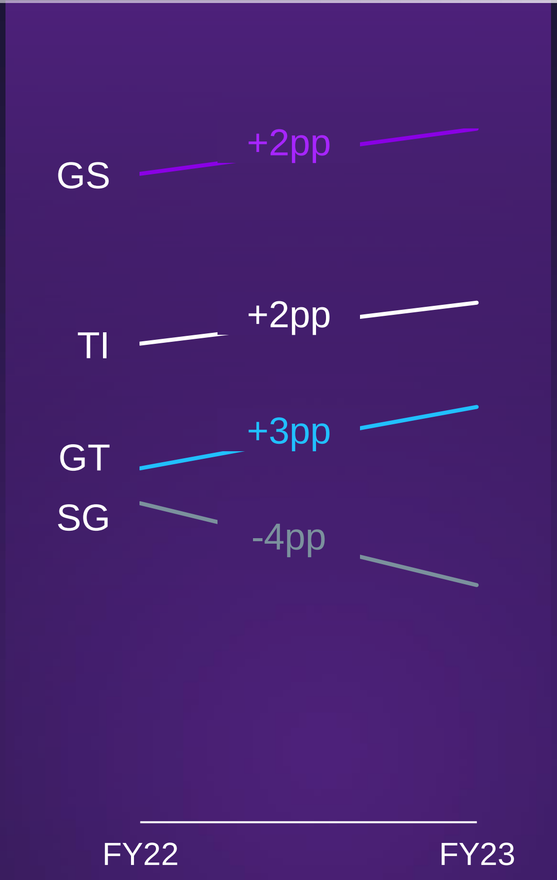
Order backlog

(in €bn)



% % of respective year revenues SG TI GT GS

Backlog project margin



- **Selective growth strategy** and **operational excellence** in former GP businesses
- Margin profile **supporting mid-term targets**
- Protection through **price escalation clauses**
- Clear **visibility on Siemens Gamesa** legacy backlog execution
- Growth in new units supporting **rejuvenation of serviced fleet**

1 Service backlog as % of total order backlog

Siemens Gamesa – progress in Onshore and Offshore

Onshore

Quality issues understood, corrective actions in preparation, current level of provisions remains best estimate

- **Technical review of high impact issues completed**
- **No new quality issues identified**

Key priorities:

1. **Move from diagnostics to remediation and prevention**
2. **Complete retrofit planning (already under way)**
3. **Ensure timely market re-entry at low risk**

Offshore

Offshore factory ramp-up on track

Cuxhaven
- SG11 nacelle production more than doubled in FY23
- First SG14 nacelle planned for Feb. 2024

Hull
- First SG14-220 blades completed in Oct. 2023

Aalborg
- SG 11 blade production increased by 2/3 in FY23
- First unit SG14-236 planned for May 2024

Le Havre
- SG 8 blade production in operation
- First SG14-236 blade production planned for Dec.

Measures in implementation to secure turnaround at Siemens Gamesa

Step plan …

1 **Simplify** product portfolio
- Significant reduction of Onshore variants
- Focus on core markets
- Offshore focus on SG 14 236

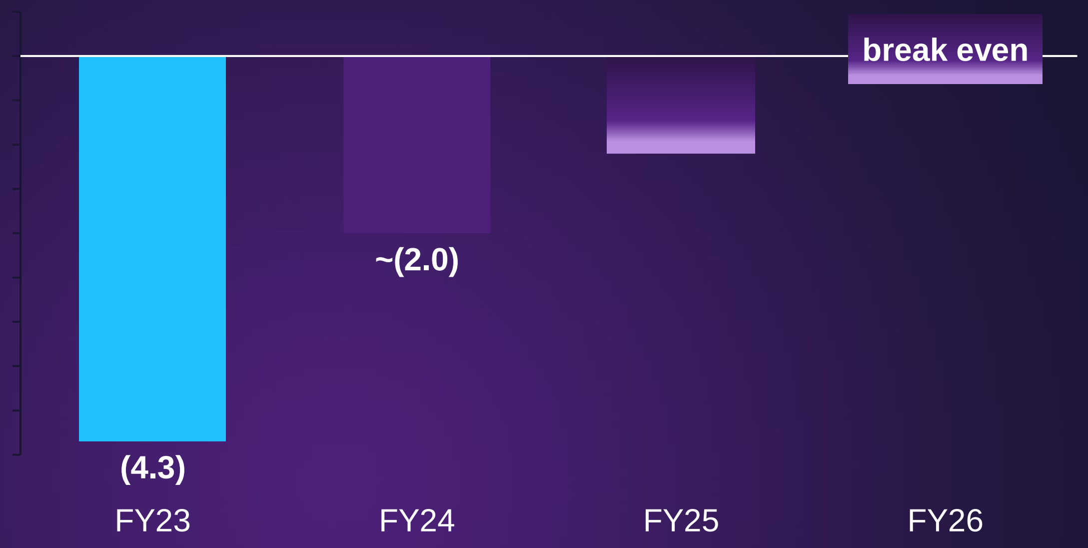
2 **Optimize** footprint & operations
- Offshore to increase output significantly
- Focus on countries with supportive regulation
- Exit non-core activities

3 **Strengthen** processes & control
- Integration and centralization of functions to deliver €300m of synergies

… to reach break even in FY26

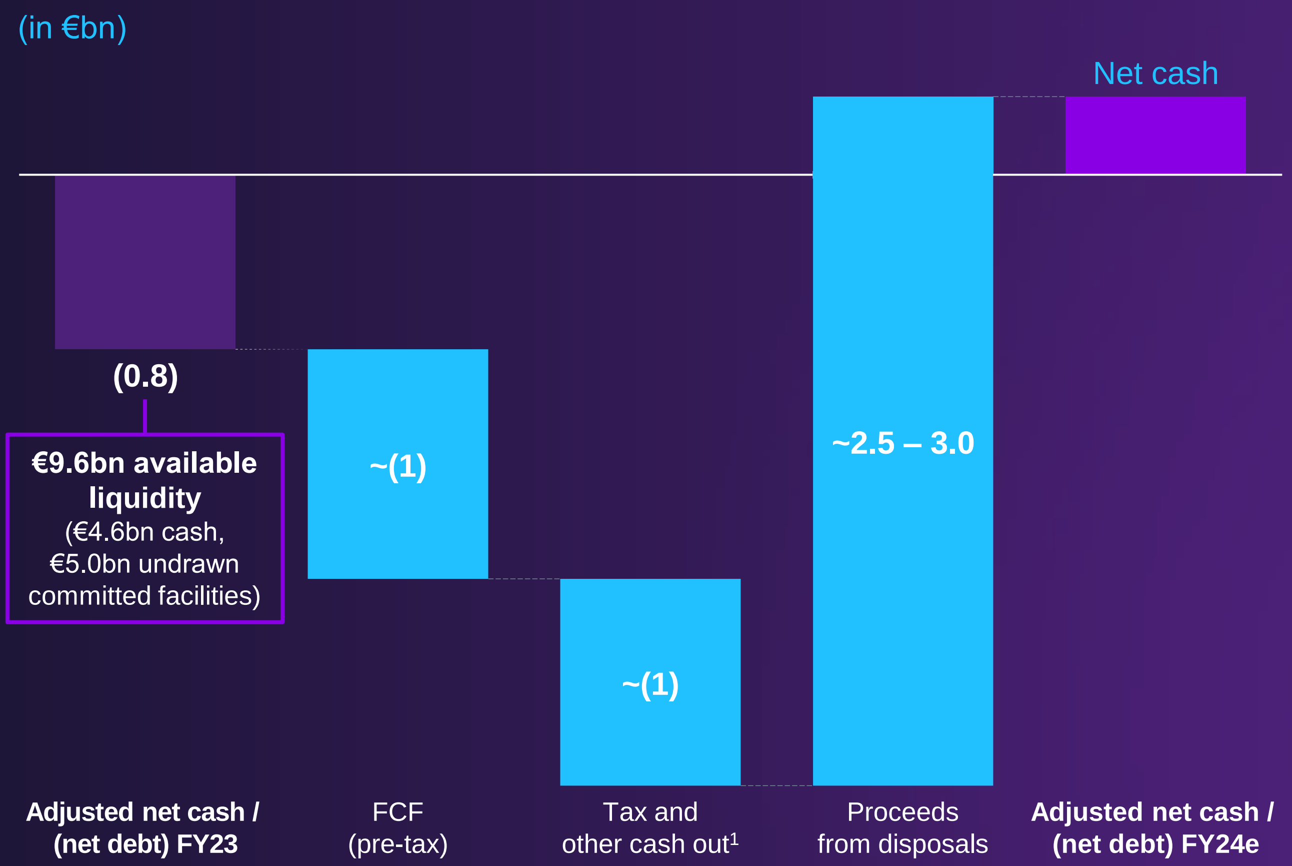
Turnaround path Siemens Gamesa

Profit before SI (€bn)



Commitment to a prudent financial policy consistent with an investment grade credit profile, net cash position in FY24

Expected net cash / (net debt) development FY24



Investment grade credit profile

- Strong balance sheet with targeted **net cash position in FY24**
- Return to structurally positive cash generation by FY25
- Strong liquidity and healthy debt maturity profile
- Good visibility on margin recovery path given order book
- Prudent financial policies

1 Includes mainly paid income tax, interest paid, minority dividends, purchase of treasury shares

Combination of near-term measures to strengthen balance sheet and accelerate transformation

Overview	Measures	Est. proceeds in FY24	
Announced divestments	Sale of 18% stake in Siemens Limited (India)	~€2.0bn	Measures to target FY24 net cash position
Ongoing divestments	Sale in progress for further non-core disposals	~€1.0bn	
Portfolio Transformation	Under preparation		Accelerate transformation and support growth
Capital increase	If necessary		

ESG
On track to meet and exceed targets

Our performance in FY23 vs. our CMD targets

Decarbo-nization

Suppliers
-30% GHG emissions per € spent by 2030
FY23 performance: -17% vs. 2018 ✓

Own Operations
Climate neutral by 2030
FY23 performance: -59% vs. 2019 ✓

Customers
-28% GHG emissions from use of sold products by 2030
FY23 performance: -27% vs. 2019 ✓

Safety

Zero Harm
Achieve Zero Harm and become the leader in our industry

Evolution of our ratings since CMD 2022

SUSTAINALYTICS	Low risk rating: **13.6**	↗
ISS ESG	**B-prime**	→
MSCI	**A**	→
FTSE Russell	Rating **3.9**	↗
ecovadis	**Gold** (75/100)	↗
CDP	**B**[1]	→

Note: Results as of October 2023 and refer to SE w/o SG | **1** CDP FY23 results available in January 2024

Financial framework
A long-term plan for value creation

FY24 guidance and FY26 targets

	FY24 guidance		FY26 targets	
	Revenue growth[3]	Profit margin before SI[1]	Revenue CAGR[4]	Margin reported[1]
Gas Services	(4) – 0%	9 – 11%	Flat	10 – 12%
Grid Technologies	18 – 22%	7 – 9%	Low double digit	9 – 11%
Transformation of Industry	8 – 12%	5 – 7%	High single digit	7 – 9%
Siemens Gamesa	0 – 4%	around neg. €2.0bn	Low single digit	Break-even[2]
Siemens Energy	**3 – 7%**	**(2) – 1%**	Mid single digit	**5 – 7%**
Net income	up to €1.0bn incl. gains from disposals		€1.0 – 1.5bn	
Free cash flow pre-tax[5]	Around neg. €1.0bn		€1.0 – 2.0bn (cumulative[6])	
Proceeds from disposals	€2.5 – 3.0bn			

Group targets FY28

MSD	**Revenue CAGR[4]**
≥8%	**Profit margin[1]** Long-term profitability
>15%	**ROCE[7]** Strong capital efficiency
IG	**Adj. net debt[8]** Commensurate with IG[9] profile
40 – 60%	**Dividend policy[10]** Stable shareholder return

This outlook excludes charges related to legal and regulatory matters.

1 Profit margin in % of revenue with profit as earnings before financial result, income taxes, amortization expenses related to intangible assets acquired in business combinations, and goodwill impairments I **2** Break-even target for SG before special items | **3** Comparable revenue growth: Excluding currency translation and portfolio effects | **4** Compound annual revenue growth rate (FY23-based); MSD: Mid single digit I **5** Free cash flow pre-tax as operating cashflow and additions to intangible assets and PPE less Income taxes paid | **6** Cumulative free cash flow pre-tax FY24 – 26 I **7** Return of capital employed as net operating profit after tax (NOPAT) over capital employed (Sum of adj. net debt and equity) I **8** Adj. net debt as sum of debt, provisions for pensions and similar obligations and credit guarantees less cash and cash equivalents | **9** IG: Investment grade I **10** Pay-out based on the group's net income attributable to shareholders of Siemens Energy AG. Net income may be adjusted for extraordinary non-cash effects

Key messages

Excellent turnaround track-record and upgraded margin expectations for our former GP businesses

Continuous strong demand driven by energy transition acts as a catalyst for profitable growth

Defined path and action plan to reach break even at Siemens Gamesa in FY26

Prudent resource allocation with selective investments geared towards growth or customer requirements

Strong commitment to investment grade credit profile underlined by FY24 net cash target

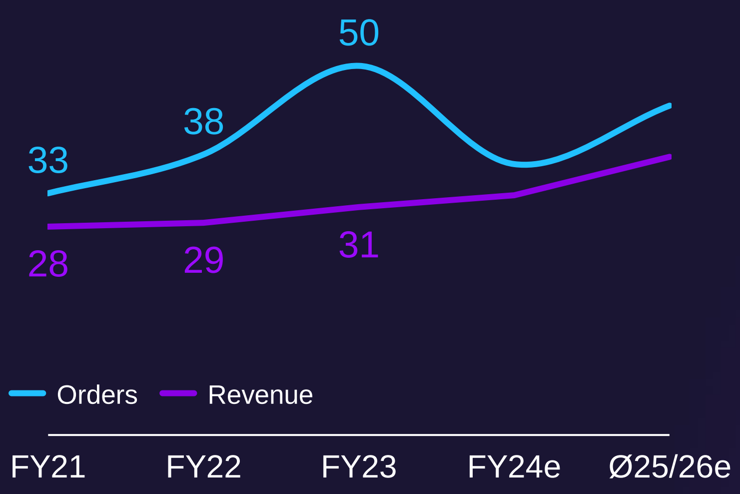
Long-term targets in place to deliver sustainable shareholder value creation

Appendix

Strong but selective growth: Increasing investment requirements pre-financed through strong orders and selective capital expenditures

Volume

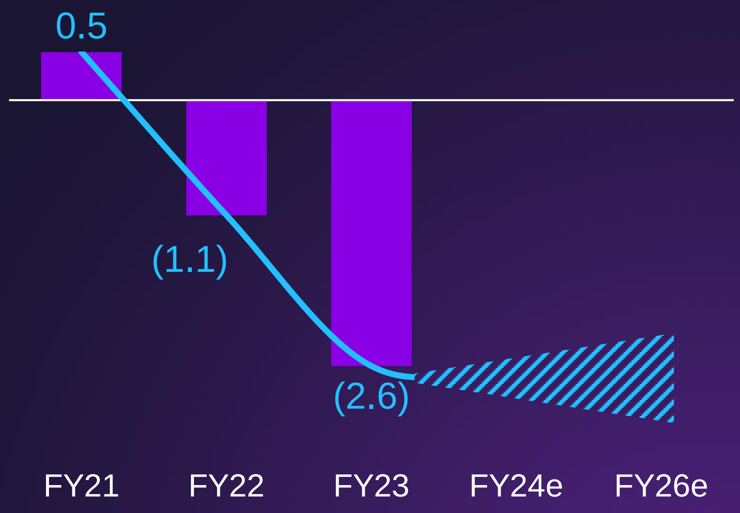
(in €bn)



- Consistent book-to-bill >1 fueled by exceptionally strong FY23 orders in Grid Technologies and Siemens Gamesa
- Expecting a trough in orders at Siemens Gamesa driven by offshore market phasing, selectivity and onshore sales stop

Operating working capital

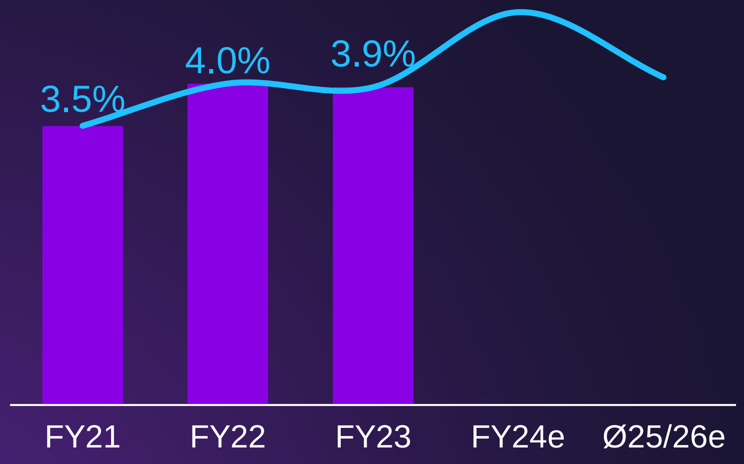
(in €bn)



- Well pre-financed working capital position, supported by order growth trajectory
- Focused initiative to stabilize working capital around current level

Capital expenditures

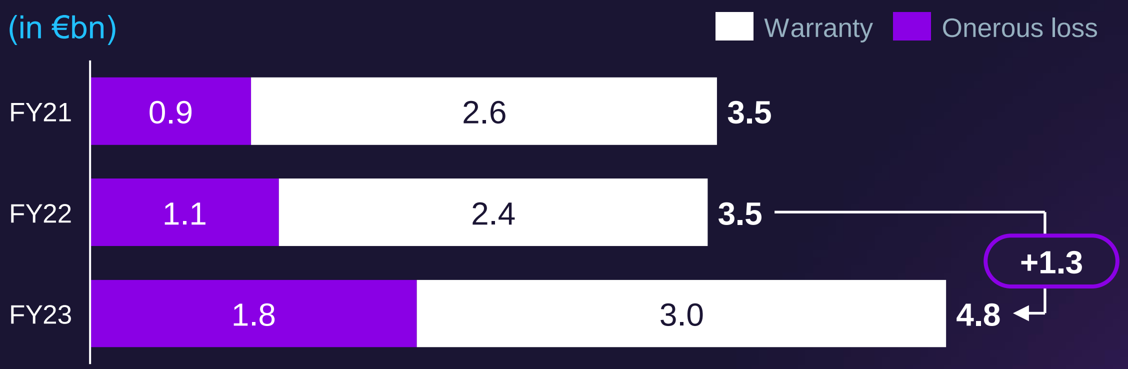
(in % of revenue)



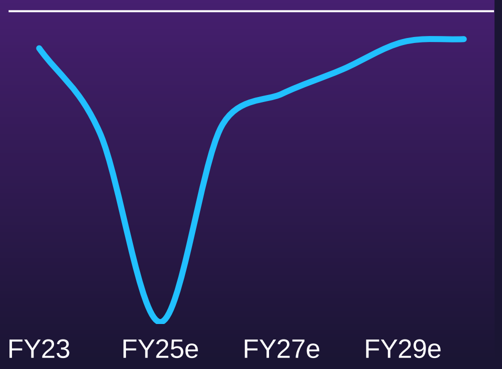
- Capital expenditures (capex) geared towards growth or customer requirements
- Increased demand for capacity expansion
- Majority (~60%) of capex relate to Siemens Gamesa, peaking in FY25 with normalization thereafter

Mid-term free cash flow will be impacted by the normalization of provision levels

Siemens Energy provisions[1]

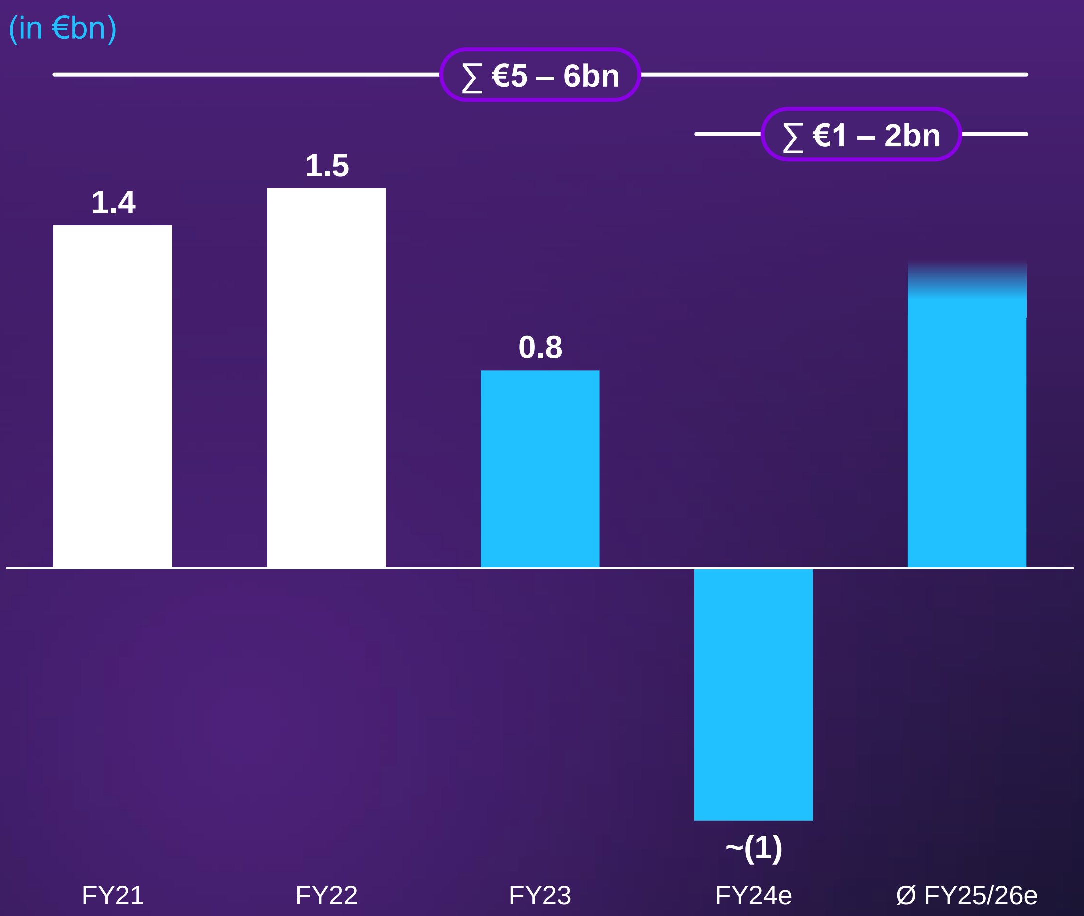


Short-term quality cash-out Siemens Gamesa



- Total mid-term cash out of ~€1bn from quality expected at Siemens Gamesa
- Expecting a peak of cash-outflow in FY25 (mid triple digit €m)
- Total cash out incl. long-term warranty cost spans well beyond FY30

Siemens Energy free cash flow pre-tax



1 Excluding other provisions

Siemens Gamesa: Execution of legacy backlog and defined improvement measures will pave the way to break-even in FY26

Siemens Gamesa backlog

Backlog project margins

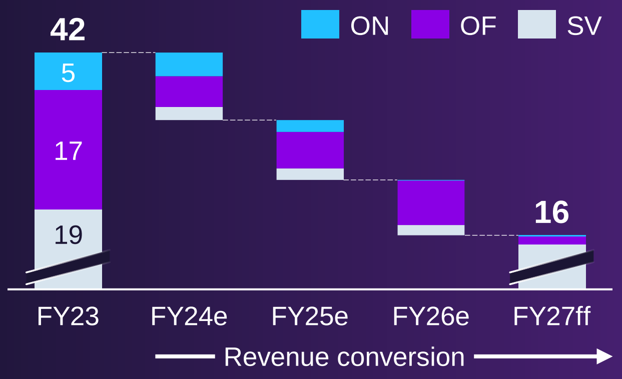
Onshore: Low single digit

Offshore: Mid single digit

Service: High teens

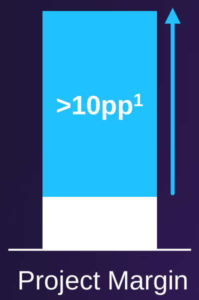
Backlog execution plan

(in €bn)



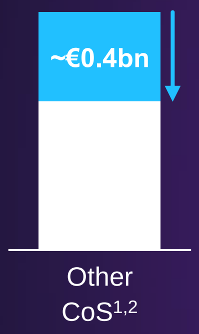
Improvement measures

Project margin as % of revenue



- **Fix quality issues**
- **Execute legacy wind turbines backlog** until end FY26
- **Fewer variants**, extended platform lifetime
- **Improved** pricing and T&Cs

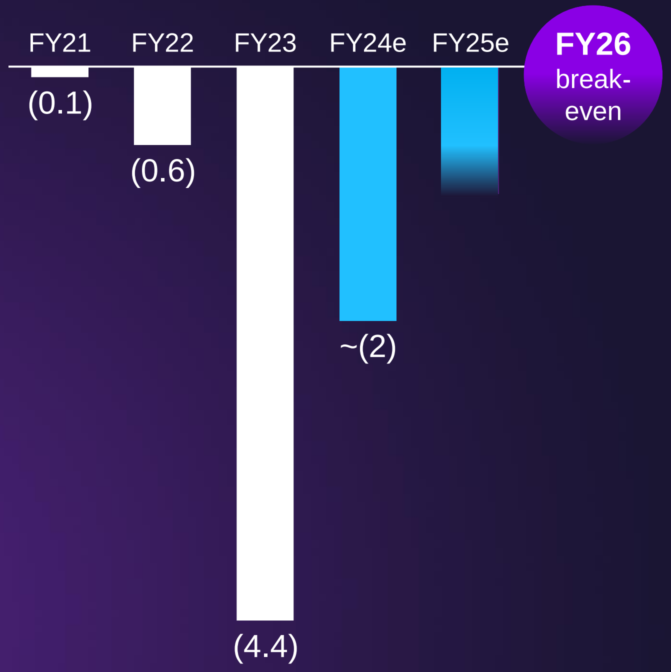
~€0.4bn structural cost and efficiency improvements



- **Offshore ramp-up** progress and cost-out (learning curve, absorption / degression)
- **Streamlining onshore** portfolio, organization and footprint
- **Streamlining service** organization
- Explore supply chain partnerships

Profit before special items

(in €bn)



1 Improvements from FY24 to FY26 | 2 Other CoS (cost of goods sold) reflecting structural cost and under-absorption in gross profit (below project margin)