

# Shareholder Letter

## Q4 FY2023

Siemens Energy Investor Relations



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Dear shareholders,

On November 15, our CEO, Christian Bruch, and our CFO, Maria Ferraro, presented our Q4 and fiscal year 2023 results, provided an update about the measures to strengthen the balance sheet, the situation of our wind business and provided and updated medium-term outlook for Siemens Energy (SE).

*“In a year of unprecedented challenges for SE, **two-thirds of our businesses are on a profitable growth trajectory.** For our underperforming wind business all eyes must be on **cost-out, selectivity and acceleration of productivity while continuously working on the remediation.** The **current high demand for our products also brings challenges.** We are very glad that **we have now found a good solution with all parties to secure our energy transition-accelerated growth**”,* said Christian Bruch.

In Q4 of fiscal year 2023, orders declined to €10.6bn and were down 7.8% on a comparable basis, from the high prior-year figure, which was driven by large orders at Grid Technologies (GT). Revenue of €8.5bn declined by 2.5% on a comparable basis mostly due to Siemens Gamesa (SG). Profit before special items was in the expected range with negative €487m mainly driven by the loss at SG. SE experienced a Net loss of €870m.

Gas Services (GS), GT and Transformation of Industry (TI), our former Gas and Power business, had a great performance during fiscal year 2023, with strong orders, successful project execution and operational improvements leading to increased profitability. However, this achievement was overshadowed by the wind business, which had negative effects due to quality issues, in particular of the 4.X and 5.X onshore turbines, as well as increased product costs and ramp-up challenges in the offshore business.

For fiscal year 2023, SE met its guidance related to the adjusted outlook in the third quarter. The orders exceeded the high level of the prior fiscal year by 33.8% on a comparable basis and rose to €50.4bn, driven by GT and SG. The Book-to-bill ratio (ratio of orders to revenue) was 1.62 for the order backlog to rise to a new record of €112bn. Revenue of €31.1bn was up by 9.9% on a comparable basis driven by growth in all segments except SG. SE endured a Net loss of around €4.6bn with a corresponding EPS of negative



€5.47. Free cash flow (FCF) pre tax decreased to €784m driven by an increase of the negative FCF pre tax at SG and a decline of the positive FCF pre tax at GS (from an exceptionally high level), but supported by a strong cash flow at GT.

As a key facilitator of the energy transition, SE has seen significant growth in order intake and therefore requires an increasing volume of guarantees, an established industry-wide instrument. The German government has agreed in principle that it will counter-guarantee €7.5bn of a total amount of €12bn of guarantees, of which €11bn are provided to SE by a consortium of banks. In addition to securing the guarantee facilities to safeguard its own growth, SE is strengthening its balance sheet by selling 18% of its stake in Siemens Limited, India to Siemens AG for ~€2.1bn. Further details can be found on page 3. Additionally, we opened our gigawatt factory for electrolyzers with Air Liquide in Berlin.

On the following pages we provide you with some insights into our Capital Market Day hosted in Hamburg on November 21, in which our updated strategy was presented, and analysts and investors had the opportunity to meet our management in person and to visit our wind offshore facility in Cuxhaven. Additionally, you can find our outlook for fiscal year 2024 as well as our targets for fiscal year 2026. Thank you very much for your interest in Siemens Energy. I wish you a happy holiday season.

All the best. *Michael Hagemann*  
Michael Hagemann | Head of Investor Relations

### Orders Q4 / FY23

€10.6bn (8)%<sup>1</sup> / €50.5bn +34%<sup>1</sup>

### Revenue Q4 / FY23

€8.5bn (2)%<sup>1</sup> / €31.1bn +10%<sup>1</sup>

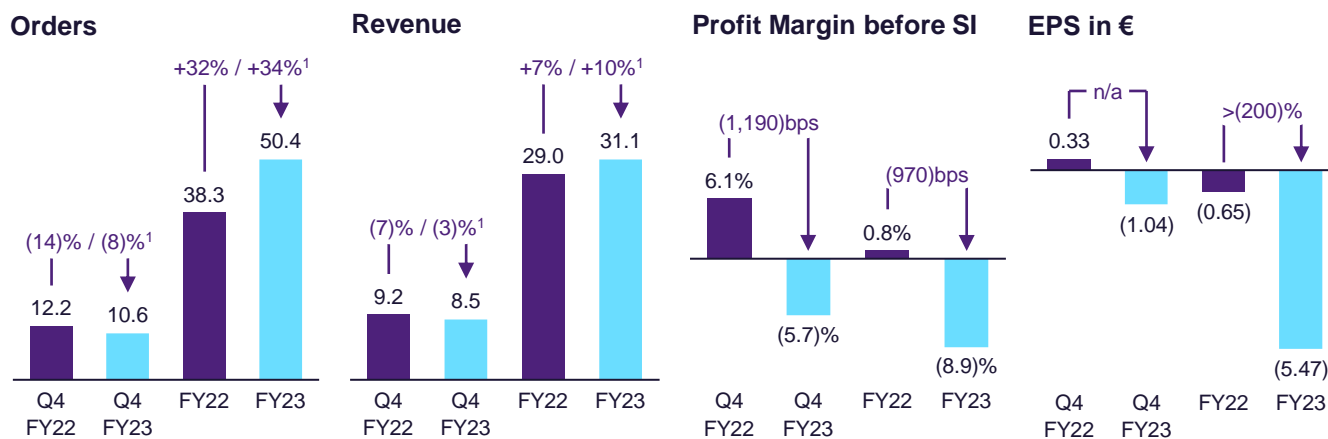
### Profit before SI<sup>2</sup> Q4 / FY23

€(487)m / €(2.8)bn

<sup>1</sup> Comparable basis: Excluding currency translation and portfolio effects | <sup>2</sup> Special Items

# Siemens Energy in Q4 FY2023 and FY2023

(in €bn, except where otherwise stated)

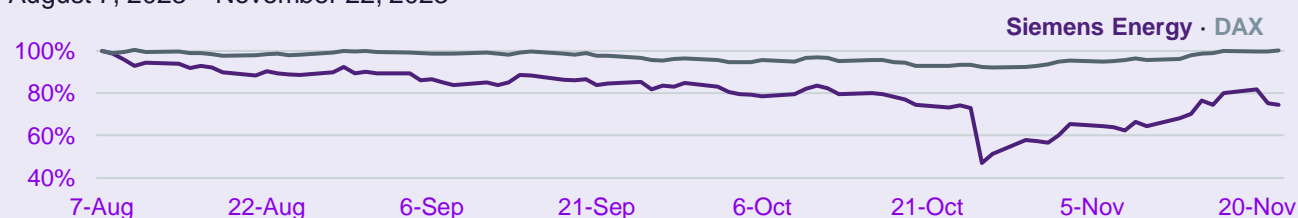


1 xx% / xx% = nominal / comparable (excluding currency translation and portfolio effects)

Business Areas	Orders		Revenue		Profit Margin before SI	
	in million €	Change (comp.)	in million €	Change (comp.)	In percent	Margin change
<b>Q4 FY2023</b>						
Gas Services	2,498	+2.1%	2,794	+4.3%	4.3%	+20bps
Grid Technologies	2,283	(38.0)%	2,021	+6.4%	7.8%	+390bps
Transformation of Industry	1,672	+10.8%	1,217	+5.0%	2.4%	(140)bps
Sustainable Energy Systems	155	>200%	23	+28.2%	(137.3)%	(1,030)bps
Electrification, Automation, Digitalization	474	+30.0%	346	+12.0%	4.9%	(300)bps
Industrial Steam Turbines & Generators	364	+7.2%	394	+15.7%	7.9%	+220bps
Compression	688	(16.3)%	462	(10.3)%	1.0%	(300)bps
<b>Siemens Gamesa</b>	<b>4,226</b>	<b>+3.2%</b>	<b>2,592</b>	<b>(19.8)%</b>	<b>(25.6)%</b>	<b>(3,670)bps</b>
<b>FY2023</b>						
Gas Services	12,907	+9.3%	10,915	+17.7%	9.5%	+300bps
Grid Technologies	15,798	+52.3%	7,181	+20.9%	7.5%	+400bps
Transformation of Industry	5,571	+1.8%	4,439	+12.0%	5.1%	+400bps
Sustainable Energy Systems	286	>200%	82	+57.1%	(86.4)%	+2,590bps
Electrification, Automation, Digitalization	1,624	+8.5%	1,151	+12.1%	5.8%	+280bps
Industrial Steam Turbines & Generators	1,612	+3.0%	1,428	+13.6%	10.2%	+540bps
Compression	2,124	(14.1)%	1,811	+8.0%	4.7%	+410bps
<b>Siemens Gamesa</b>	<b>16,836</b>	<b>+49.9%</b>	<b>9,092</b>	<b>(5.1)%</b>	<b>(47.8)%</b>	<b>(4,150)bps</b>

## Share performance

August 7, 2023 – November 22, 2023



Siemens Energy (25.5%) · DAX +0.04% · GE +4.2% · Baker Hughes (5.7)% · Hitachi +12.8% · MHI +9.3%

# Guarantees for Customer Contracts

## Enabling the energy transition

Due to the high demand for SE's energy transition technologies, the current order backlog of the entire portfolio amounts to €112 billion. With the long project durations in the energy sector, guarantees for advanced payments, performance or warranty bonds are a standard instrument of the industry.

### Key facts about guarantees:

- Guarantees protect customers in case contractual obligations are not fulfilled
- Banks, insurance companies and third parties (e.g KfW, Euler Hermes, or EIB) provide guarantees against a fee and are usually between 5% and 25% of the order value
- Industry-wide demand for guarantees is rising due to increasing investments in the energy transition

### Agreement reached to secure €12bn in guarantees:

The German government has agreed in principle that it will counter guarantee €7.5 billion of a total amount of €12 billion of guarantees, of which €11 billion are provided to SE by a consortium of banks. In return, the federal government will receive a standard market payment from SE. The remaining €1 billion will be provided by an additional consortium led by Deutsche Bank.

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



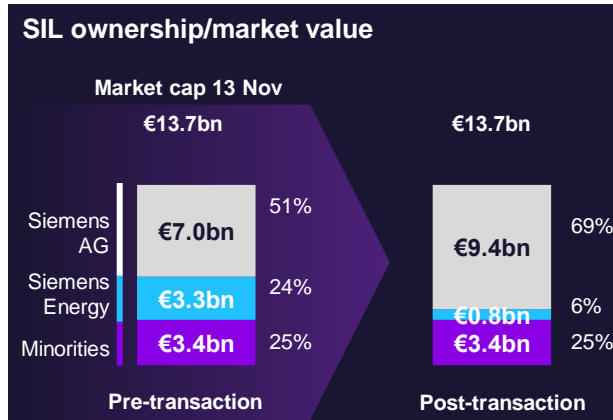
## Sale of 18% in Siemens Limited (India) to Siemens AG

### Strengthening the balance sheet with ~€2.1bn in near-term proceeds

SE will sell 18% of its stake in Siemens Limited, India (SIL) to Siemens AG for ~€2.1bn. SIL is a publicly listed company in India. The purchase price is based on a 5-day Volume Weighted Average Price (VWAP) applying a 15% discount.

This partial sale has no impact on SE's operations in India. These will continue to the same extent as before under a supplementary agreement. India remains a strategically important growth market for SE, in which the company continues to invest.

SE will receive the cash as early as December 2023 (upon transaction closing). SE and SAG are to commence the demerger process at SIL, and in approximately 5 years, SE is expected to take a majority stake in SIL Gas & Power business.



# Capital Market Day 2023

## Siemens Energy to accelerate its journey to deliver profitable growth

At its third Capital Market Day in Hamburg, Germany, SE presented its strategic outlook to analysts and investors. The Executive Board outlined a clear path to create shareholder value along three priorities: Deliver on profitable growth, fix the wind business and maintain a solid financial foundation.

### SE to accelerate its journey to deliver profitable growth and fix wind business while maintaining a solid financial foundation:

- Capitalizing on main energy trends to continue delivering profitable growth in Gas Services, Grid Technologies and Transformation of Industry
- Clear plan to return to profitability at Siemens Gamesa by fixing quality issues in onshore and driving ramp-up in offshore
- Prudent resource allocation adhering to stringent capital allocation principles while maintaining a solid balance sheet and financial foundation

## Accelerating our journey to build a resilient energy technology company and to deliver shareholder returns

### CEO priorities



01 Deliver  
on profitable growth



02 Fix  
the wind business



03 Maintain  
solid financial foundations

### We will deliver profitable growth

for Grid Technologies, Gas Services and Transformation of Industry

### We will turn Siemens Gamesa around

and implement the necessary changes for it to return to profitability

### We will accelerate on our strategic path ...

while increasing our focus on operational performance & profitability

### ... adhering to strict capital allocation criteria

and continue to look for opportunities to optimize our portfolio

## Plan to return to profitability

Secure **Onshore product quality** and focus on **attractive markets**

Address **ramp-up** and **cost-out** in **Offshore**

Return **Service** to **target profitability** level

Ensure **healthy order intake** across businesses

Achieve **operational excellence** to execute profitably



**Wind business  
to break even in  
fiscal year 2026**



# Capital Market Day 2023

The business areas Gas Services (GS), Grid Technologies (GT), and Transformation of Industry (TI), which account for 70% of SE's revenue, are all on track to achieve or exceed their mid-term targets. Here, SE benefits from strong market trends and its well positioned portfolio supporting customers with their decarbonization efforts. In these three business areas, SE expects margins of 7-9% for TI (target upgraded), 9-11% for GT (target upgraded) and 10-12% for GS (target confirmed) by fiscal year 2026.

## Gas Services

### Revenue Drivers

- **Service:** Grow backlog and profitability
- **Portfolio:** Increase competitiveness through technology leadership and cost-out
- **Decarbonization:** Focus on H<sub>2</sub> / green fuels, heat pumps and partnerships for carbon capture applications

### Profitability Drivers

- **Operational excellence:** Continue productivity efforts and optimize capacities
- **Selectivity:** Expand gross margins in new orders while reducing risks

### Targets FY26

**Flat**  
Revenue growth

**10 – 12%**  
Profit margin

~4%  
R&D<sup>1</sup>

~€500m  
Capex<sup>2</sup>

<sup>1</sup> Research & development expenses based on revenue p.a. | <sup>2</sup> Cumulative capital expenditure FY24 – FY26

## Grid Technologies

Attractive market with  
**10% CAGR<sup>1</sup>**



**Focusing** through active portfolio management on attractive markets



**Scaling** by standardization and modularization



**Maximizing capacity** of existing assets and selective investment



Consequent **operational improvements** and project excellence

### Targets FY26

**Low double digit**  
Revenue growth<sup>2</sup>

**9 – 11%**  
Profit margin

**2% avg**  
R&D<sup>3</sup>

~€600m  
Capex<sup>4</sup>

<sup>1</sup> FY22 – FY30 | <sup>2</sup> CAGR (FY23 – FY26), excluding currency translation and portfolio effects | <sup>3</sup> Research and development expenses p.a. in % of revenue | <sup>4</sup> Cumulative capital expenditure FY24 – FY26

## Transformation of Industry

### 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

### Targets FY26

**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

# Outlook for the Fiscal Year 2024 and targets for the Fiscal Year 2026

	FY24 Outlook		FY26 Targets	
	Revenue Growth <sup>3</sup>	Profit Margin before SI <sup>1</sup>	Revenue CAGR <sup>4</sup>	Margin reported <sup>1</sup>
<b>Gas Services</b>	(4) – 0%	9 – 11%	Flat	10 – 12%
<b>Grid Technologies</b>	18 – 22%	7 – 9%	Low double digit	9 – 11%
<b>Transformation of Industry</b>	8 – 12%	5 – 7%	High single digit	7 – 9%
<b>Siemens Gamesa</b>	0 – 4%	around neg. €2.0bn	Low single digit	Break-even <sup>2</sup>
<b>Siemens Energy</b>	<b>3 – 7%</b>	<b>(2) – 1%</b>	<b>Mid single digit</b>	<b>5 – 7%</b>
<b>Net Income</b>		up to €1bn incl. impacts from disposals		€1 – 1.5bn
<b>Free Cash Flow pre-tax<sup>5</sup></b>		around neg. €1.0bn		€1.0 – 2.0bn (cumulative <sup>6</sup> )
<b>Proceeds from disposals</b>		€2.5 – 3.0bn		

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 | 2 Break-even target for Siemens Gamesa before Special items | 3 Comparable revenue growth: Excluding currency translation and portfolio effects | 4 Compound Annual Revenue Growth Rate (FY23-based) | 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

## Financial Calendar

<b>Feb. 7, 2024</b>	1 <sup>st</sup> quarter FY24
<b>Feb. 26, 2024</b>	Annual General Meeting 2024
<b>May 8, 2024</b>	2 <sup>nd</sup> quarter FY24
<b>Aug. 7, 2024</b>	3 <sup>rd</sup> quarter FY24

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