Siemens Energy Capital Market Day 2022

Siemens Gamesa Renewable Energy
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May 24, 2022

SIEMENS Gamesa RENEWABLE ENERGY

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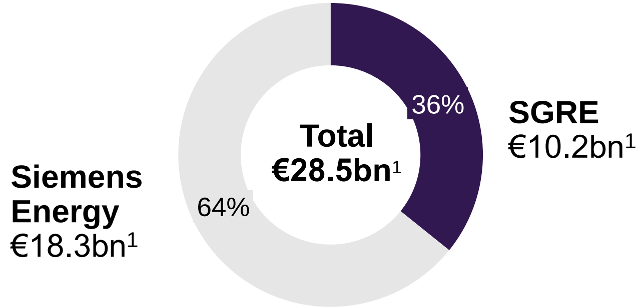
Note on alternative performance measures (APMs)

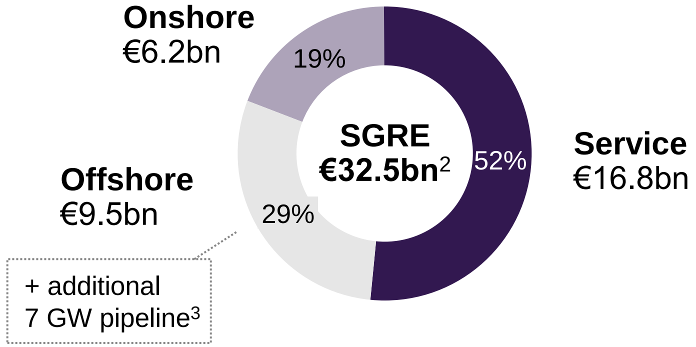
This document includes supplemental financial measures that are or may be alternative performance measures (non-GAAP-measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens Gamesa´s net assets and financial position or results of operations as presented in its consolidated financial statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently. The definitions and reconciliation of the alternative performance measures that are included in this presentation are disclosed in the Activity Report associated to these and previous results. The glossary of terms is also included in the Activity Report associated to these results.

SGRE in figures

SGRE revenues (as % of Siemens Energy)



SGRE order book



SGRE by the numbers

€12.2bn
Order entry[1]

True **global**, modern and scalable **footprint**

€10.2bn
Revenue[1]

Over 1,500
Direct Drive offshore turbines installed

118 GW installed[2]
in **~80** countries,
79 GW under service

170 m
Rotor diameter in Onshore market

~26,000
Employees[2]

Top **ESG** ratings

1 FY21 | **2** As of end of FY21 | **3** Pipeline of preferred supply agreements and conditional orders that are not part of SGRE's Offshore backlog

Content

01	02	03
Market outlook	Key challenges: External & internal	Mistral: The way ahead

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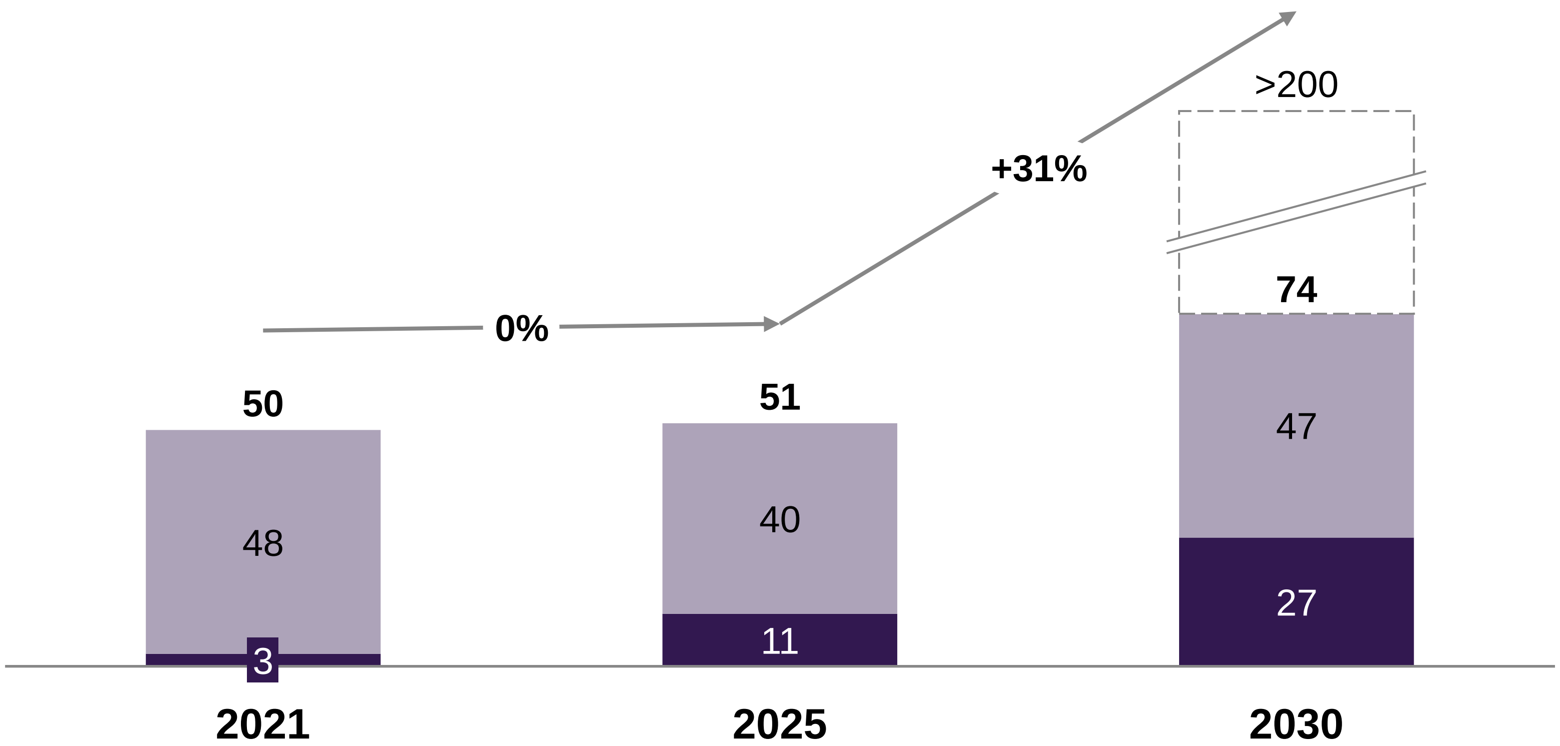
Energy transition supporting strong growth potential, especially in second half of the decade

Global wind installations (GW, excl. China)



Offshore[1] Onshore[1] Upside potential to NZE2050[2] **X% =** CAGR

1 BloombergNEF, 2H 2021 Global Wind Market Outlook; excl. China | **2** IEA, Net Zero Emissions by 2050 Scenario (2021)
Note: Total sum may differ due to rounding

Recent push for **energy independence has further increased renewable targets in Europe**

Two phases foreseen

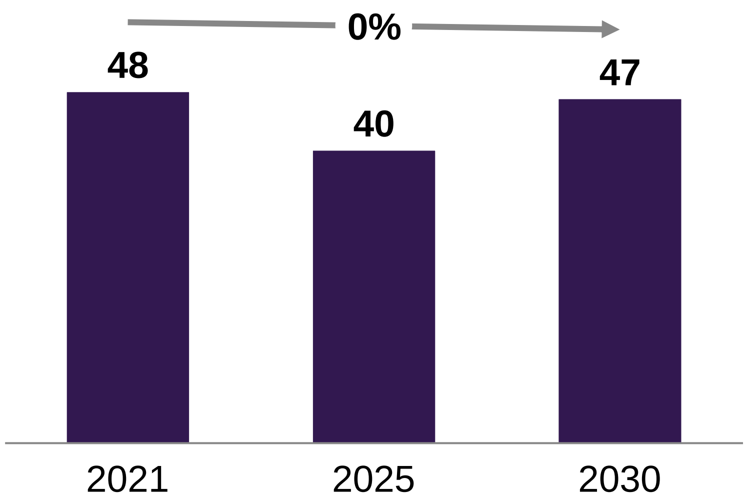
- **Near-term:** Limited growth in new unit market
- **Long-term:** Strong growth, driven by overall economy decarbonization potential

Stable and conducive policies needed to materialize growth potential

Onshore market providing scale, while Offshore and Service offering growth potential

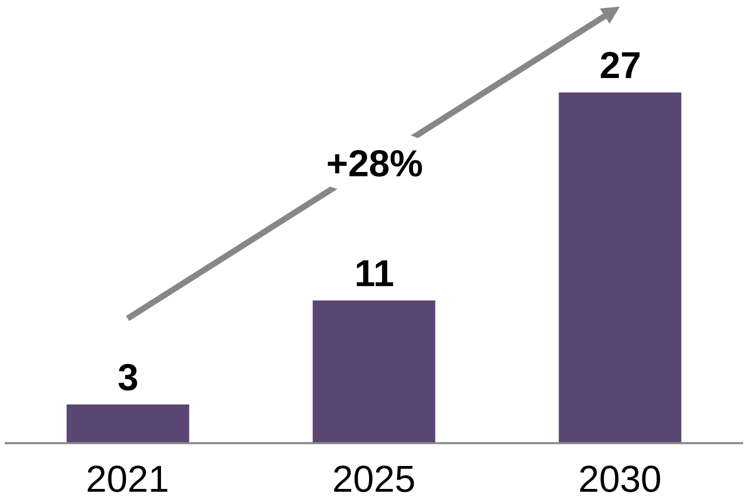
Onshore[1]

Annual installations (GW, excl. China)



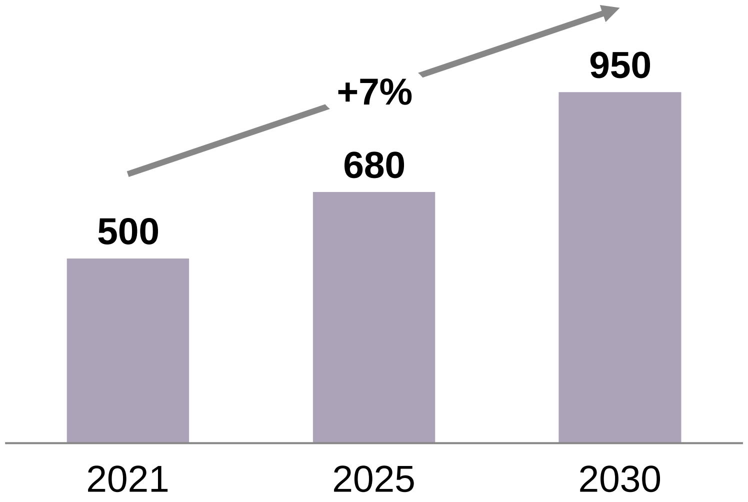
Offshore[1]

Annual installations (GW, excl. China)



Service[2]

Cumulative installed capacity (GW, excl. China)



Solid and stable outlook, with large volume throughout the period

Strong growth potential, accelerating in second half of the decade

Large and growing installed fleet providing attractive Service opportunities

Note: X% = CAGR
1 BloombergNEF, 2H 2021 Global Wind Market Outlook; excl. China (2030 excl. upside potential to NZE2050)
2 BloombergNEF, Wind Cumulative Installed Capacity and Forecast by Country (2022); excl. China

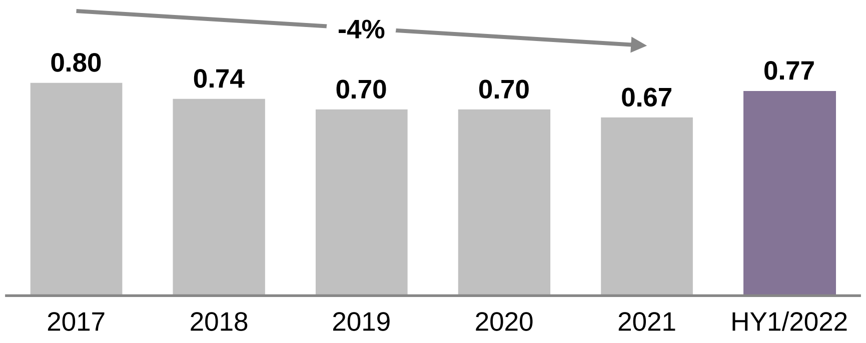
External challenges: All OEMs facing price and cost pressure in the last years …

Price

Strong competition leading to historical price erosion

Strong price reduction in 2016/17 after introduction of auctions and **further ASP dilution (2018+)** driven by introduction of larger platform; **since 2022 increase of ASP**

SGRE Onshore order intake average selling price[1] (€m/MW)



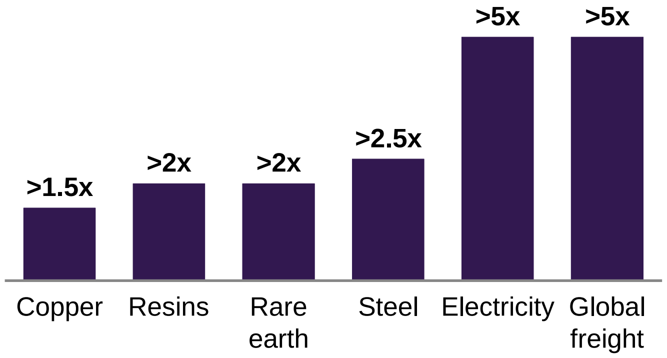
Costs

Unprecedented increase in commodity prices and supply chain disruptions

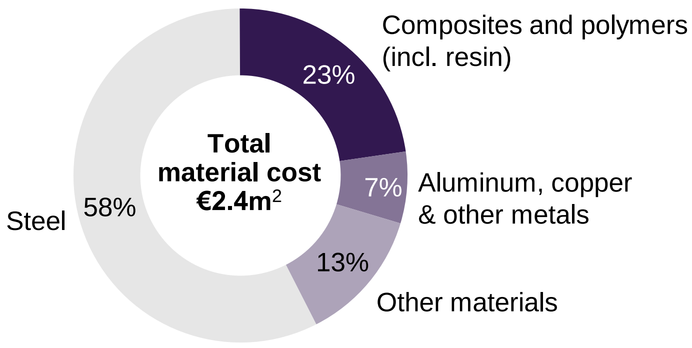
Raw material **prices at significantly higher levels compared to pre-pandemic** period

Covid-19 triggered **disruptions in global supply chains and logistics**, impacting project delivery timelines and commitments

Commodity prices (Jan 2020 vs. Mar 2022)



Turbine cost distribution by materials (4.X MW WTG)[2]



Impact of industry headwinds further exacerbated by recent geopolitical trade tensions

Note: ASP = Average selling price | **1** Reported selling price data from SGRE | **2** Wood Mackenzie, Global Wind Turbine Supply Chain Trends 2021; excl. value add over various supply chain layers

… expected to be mitigated deploying different collaboration mechanisms with customers and suppliers

Suppliers → **SGRE** → **Customers**

Key levers

Short-term effect → *Mid- to long-term effect*

Suppliers

- **Financial hedging** of key commodities
- Agreements with **Siemens Energy,** e.g., bundling of transportation
- **Long-term supply** agreements
- Collaboration in **product development**
- Product portfolio **standardization**

Customers

- **Pass-through of raw materials** price increases for new contracts
- **Back-to-back** commercial agreements
- **Cost indexation or escalation** in new customer contracts
- **Strategic agreements** and partnerships around future projects

Overall goal to increase SGRE profit pool to ensure sustainable growth

Internal challenges: Main root causes for underperformance identified …

Root causes detected …

- **Delays in Siemens Gamesa 5.X product development process, not adhering to early milestones**, resulting in delayed product availability, quality problems and additional unplanned costs
- **Significant business complexity:** Broad product portfolio, still limited degree of standardization and modularization
- **High production costs**, partially driven by low utilization of existing manufacturing capacities
- **Complexity of IT system/ tools transformation**

… and solid foundation available

- **Very strong market prospects**, recent geopolitical events further accelerating decarbonization process
- **Growing service business**
- **Price increase & risk sharing to customers**; trend ongoing from all OEMs to ensure sustainability
- **Competitive product portfolio in OF and ON** (including Siemens Gamesa 5.X reliable platform with global reach)
- **Highly talented and committed organization**

Note: OF = Offshore; ON = Onshore

… and several actions already ongoing to address them and stabilize the situation

Short-term task forces

- **Dedicated task forces launched** with exclusive focus on mitigating ongoing challenges: Siemens Gamesa 5.X, supply chain
- Cross-functional set-ups to ensure holistic approach to problem solving; **best-in-class talent mobilized**

Commercial discipline

- **Selectivity**: Enforced selective bidding and further cost volatility risk protection clauses implemented in contracts
- **Reinforced new project approval process** with stringent profitability thresholds
- **Cross-functional organizational improvements** leading to better pricing and T&Cs

Control over processes and focus on priorities

- Continuous **development** of a more **simplified and leaner workflows as well as processes**
- **Strict adherence to business processes**
- **Increased focus** from organization **on key priorities**

Complexity of internal issues together with unstable market environment reduces visibility on when headwinds will be mitigated

Note: T&Cs = Terms and Conditions

Mistral program to be launched as vehicle to achieve long-term vision

Strong contribution from LEAP…

- **Significant productivity measures achieved**
- **Key actions implemented**, e.g.,
  - Manufacturing capacity consolidated in EMEA
  - Senvion assets acquisition
  - India turnaround completed

… providing the foundation to launch Mistral

- Program approach adjusted to **face recent industry challenges**
- **Immediate focus** on mitigating short-term headwinds: Siemens Gamesa 5.X and supply chain
- **Key levers** identified to achieve margin expansion by mid-term
- **Transformational measures** to be explored, in order to unlock full potential of SGRE
  - **Portfolio review**, including alternative solutions for certain non-core activities
  - **One SGRE technology harmonization** (e.g., blades, drivetrain, electrical systems)
  - **Footprint review**

SGRE expanding profitability by 2025, before acceleration of market growth

Short-term
(FY22-23)

Mitigate ongoing headwinds/challenges

Mid-term
(FY25)

Turnaround Onshore
Selectivity, product and operational excellence

Invest in Offshore growth
New product & footprint backed-up by customers

Enhance Service
Protect and grow the core while investing in new value-added solutions

Long-term
(>FY25)

Unlock full potential of one SGRE

Mistral program to be launched, as vehicle to achieve SGRE long-term vision

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Onshore

Selectivity, product and operational excellence

Selectivity

- **Focused go-to-market** strategy: Winning better business
- **Price discipline and risk sharing** with customers

Product

- **Streamlined, reliable** and **cost competitive** product
- **SG 5.X** platform technology **increasing global reach**
- **LCoE market leader**, through modular portfolio

Operational excellence

- **Complexity reduction** across value chain
- Relentless focus on execution **to minimize NCC**
- **Optimization of footprint**

Onshore turnaround as the key to unlock long-term value creation at SGRE

Note: LCoE = Levelized Cost of Energy; NCC = Non-Conformance Costs

Offshore

Capture market growth through leading product and footprint expansion

Market growth

- **Maintain market leadership,** capturing strong growth foreseen in Europe, and in new US and APAC markets
- Prepare for **future markets** (e.g., floating wind)
- Develop **hydrogen solutions**, leveraging partnership with Siemens Energy

Product

- **Evolutionary product development** delivering AEP upsides with reduced risk and time-to-market
- **Technological innovation as key to fight price pressure**

Footprint expansion

- **Leverage existing manufacturing footprint**
- **Continue footprint optimization to enable growth**, with clear link to customer demand and supplier partnerships

Offshore is the highest growth segment, and SGRE is the market leader

Note: AEP = Annual energy productions

Service
Protect and grow the core while exploring new business models

Maximize the core

- **Leverage scale and know-how** in wind farm operations & maintenance
- Expand **aftermarket business** (e.g., spare parts, repairs, value-added services)
- **Capitalize on increased requirements** for technical sophistication

Selective growth in Multibrand

- **Selective** profitable growth
- Leverage SGRE multibrand experience (Siemens, Gamesa, Adwen, Senvion) to develop **technology-agnostic preventative maintenance concepts**

New business models

- **Advanced solutions** for **integration and optimization of renewable assets** (e.g., wind in conjunction with storage, solar PV, hydrogen, grid technologies)
- Utilize digital capabilities for **optimization of asset returns through smart operations** (e.g., revenue-based availability)

Service offers attractive growth and is a key profit driver for SGRE

Conclusion

Very challenging market conditions affecting the **short-term**

Structural growth in long-term driven by energy transition

SGRE organization **determined to turn the company around**

Immediate focus on mitigating short-term headwinds, achieve margin expansion by mid-term and unlock SGRE full potential in the long run through “Mistral” program

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Appendix

Onshore | Fact sheet SG 5.X

Main data	SG 6.6-155	SG 6.6-170
Wind class	IIA, IIB (medium & high winds)	IIIA, IIIB (low & medium winds)
Nominal power	6.6 MW (flexible rating)	6.6 MW (flexible rating)
Rotor diameter	155 m	170 m
Blade length	76 m	83.3 m
Swept area	18,869 m²	22,698 m²
Towers & hub height	102.5-165 m & site specific	110.5-165 m & site specific
Power regulation	Pitch-regulated, variable speed	Pitch-regulated, variable speed

Offshore | Fact sheet SG 14-236 DD

Main data	SG 14-236 DD
Wind class	I, S (high winds and special class)
Nominal power	14 MW
Rotor diameter	236 m
Blade length	115 m
Swept area	43,500 m^2
Hub height	Site specific
Power regulation	Pitch-regulated, variable speed

Thank you!

Dr. Jochen Eickholt

CEO

UNHCR
ACNUR
La Agencia de la ONU para los Refugiados