

# 2022 General Meeting of Shareholders

Bilbao, 24<sup>th</sup> March 2022



# Jochen Eickholt

CEO of Siemens Gamesa



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Speech of Jochen Eickholt  
CEO of Siemens Gamesa Renewable Energy

Bilbao, 24 March 2022

Good morning everybody. Buenos días. Egun on. And welcome to this annual shareholder meeting from my side also. I am pleased to join you here in Bilbao for my first shareholder meeting. I have not been in the country long, but I am looking forward to getting to know both Spain and the Basque Country much better as I will be here quite frequently in the future.

My association with Siemens Gamesa is currently less than three months old. I joined the Board of Directors and the Delegated Executive Committee in January of this year.

I was beginning to develop my understanding of the company when the full scale of the Q1 difficulties became known in January. And when the Board of Directors invited me to become the CEO, I was humbled and honored to join.

In my previous company, Siemens Energy, where I was a member of the Executive Board and leading the Generation and Industrial Applications divisions, we were a leading player in the energy transition, facilitating the necessary move from fossil fuels to cleaner and more sustainable forms of energy.

At Siemens Gamesa I am pleased now to be on another front line of that transition and the battle against climate change. This is really the battle of our lifetimes. We are undertaking critical work that can protect our environment, enrich lives and transform communities.

The route to decarbonization is far from easy. And the fact that I am here today as the CEO of Siemens Gamesa also speaks volumes for the difficulties the company has faced.

And there is no question that the outlook for us is difficult, but our challenges are partial and temporary and I am very confident that with energy and focus we will overcome them.

Everywhere I have been during my career so far there have been challenges. But there have also always been solutions always.

I believe that those experiences will serve me really well as we turn around Siemens Gamesa. About 10 years ago I was fully engaged with a similar program at what is now called Siemens Mobility. At that time, we were struggling in a difficult market environment. We had challenges in some areas of our portfolio and our internal processes were far from equal to the task at hand.

We implemented a plan that was based on reducing complexity, simplifying wherever we could, focusing on operational excellence, on customer need and reducing unnecessary cost.

The results of that work show what is possible. A formerly struggling business continues to be the global market leader.

I addressed similar issues at the Siemens Portfolio Companies and again at Siemens Energy where there were a variety of operational challenges.

The recipe is never exactly the same at each company, but the main ingredients are. Focus on the things that matter. Empower the teams to move ahead decisively. And introduce operational excellence and a relentless focus on execution.

I did not arrive at Siemens Gamesa with a pre-prepared plan, but I know what works in a turnaround. We will apply those lessons with urgency and force.

During my first weeks at Siemens Gamesa, I have been in listening mode, meeting as many teams and people as possible – both senior management and also people on the factory floor. I have asked questions and discussed our challenges and opportunities with many of the colleagues.

And what I have discovered is encouraging.

First, Siemens Gamesa people are determined to turn the company around. They are fully committed to the company's purpose and playing an important role in the energy transition. They are also some of the best engineers and leaders in our industry. The people in Siemens Gamesa – here in Spain, in Denmark, in Germany and beyond – are the truly pioneers that built the wind industry. I have every confidence that these people will rebuild Siemens Gamesa and turn it into a long-term leader in our industry space.

Of course, we are in the right industry. It is an industry with structural growth that is key to the energy transition. In my entire career I do not recall an industry that has better prospects. The growth required by the raw forecast data represent a huge challenge to both the industry and all of its stakeholders. From suppliers, financiers and developers to government and regulatory institutions, all are involved.

But we all have an incentive to work together to get it right. Internally, we need to stabilize our business now and build stronger foundations on which to base our future growth. Externally, we need to ensure that the right commercial and regulatory environment is in place to facilitate the huge number of installations required. These policies must also support the case for the investment necessary to achieve the goals.

Additionally, what I have also begun to understand is the precise nature of the challenge involved, and I will now turn to this.

Both the complicated external environment and the internal challenges faced by the company were evident in the Q1 FY 2022 results that were published last month. In addition, the change in market guidance for the full year indicated that we expect to see the supply chain issues continue throughout the fiscal year.

The issues are now much better known and have impacted the entire wind turbine OEM sector. The supply chain disruption, largely caused by the Covid 19 pandemic, has brought us higher energy prices, higher commodity prices and also higher transportation costs. These have had a major impact on our cost base. With it we have also experienced significant delays to the delivery of critical parts and materials. In the last month we have also seen new political disruption brought about by Russia's invasion of Ukraine.

Much of this is clearly outside of our direct control. There are, however, measures we are taking to mitigate against their impact and increase the resilience of our business against such external shocks. We are raising the prices of our products and services to mitigate the impact of higher costs.

Of equal importance is that we address the internal issues as well and those which are also impacting our financial performance. In a volatile environment, operational excellence becomes even more critical. One of our key priorities is simplifying our activities wherever we can and make sure that we have processes in place that enable us to develop and bring to market the products our customers need in the right time, the right way, competitively and profitably.

Given the political and economic outlook, it is challenging to forecast when the supply chain problems will ease. But we will do all we can internally to achieve the revised market guidance we provided in February.

The key to unlocking long-term value creation at Siemens Gamesa lies in turning around our Onshore business. This is already an area of considerable focus during my first weeks in Siemens Gamesa and will continue to be throughout 2022.

During the frequent discussions about the performance of our Onshore business, it is often overlooked that it is a large and important part of our business. Without it we cannot really be successful in the long term. Why is this? First, Onshore will continue to provide huge growth opportunities globally. It accounts for a large majority of the capacity installations that are forecast in the coming years. With successful and profitable products this represents a strong opportunity for our company.

Further, a successful Onshore business is important to our Service business, as stand for much more than 70% of its revenues and profits come from Onshore.

You will know that at the heart of our plan for Onshore is the Siemens Gamesa 5.X platform. You also know that the turbine has had a troubled start to its life, with design and production issues that have impacted its market entry.

Despite these issues, we continue to get very positive signs from customers that the 5.X is the right machine for the market. These machines have an increased nominal capacity of 6.6MW, and provide one of the lowest Levelized Cost of Energy to our customers. The commercial momentum it has achieved illustrates that there is demand. It is now up to us to correct faults and begin series production as fast as possible.

Attending to the issues of the 5.X is one of my most urgent priorities. If we can fix it, we can fix Onshore.

We are committed to the business unit, determined to turn it around and to make it profitable once again. Earlier this month Onshore passed the threshold of 100GW of total installations. This is a milestone to be more than proud of. We are now working hard to ensure we can celebrate further milestones in the future.

The Siemens Gamesa Offshore Business Unit experienced another successful year in FY21.

Demonstrating how Siemens Gamesa is leading the offshore revolution, approximately 3.5GW of order entry was secured. In the coming years this will add to the 18GW of capacity already installed globally.

Siemens Gamesa aims to retain its position as the global market leader in offshore with strong technical solutions driven by our patented Siemens Gamesa offshore Direct Drive technology. We are dedicated to securing continued reduction in the Levelized Cost of Energy from offshore wind power. This is an essential factor for the expansion of offshore wind markets around the globe.

The summer of 2021 saw the 30th anniversary of Vindeby, the world's first offshore wind power project. Installed in 1991, the 4.95MW project featured 11 turbines with a 450kW capacity each and 35-meter rotors. It laid the groundwork for every single offshore project in the world. While Vindeby was decommissioned in 2017, its pioneering spirit put Siemens Gamesa on the correct path.

The latest descendants of those first offshore wind turbines include the enhanced SG 14-236 DD turbine. This will feature 115-meter-long blades, and the first prototype expected to be up and running this year. Last year we installed the prototype of the SG 14-222 DD at Osterild in Denmark, which became the world's largest wind turbine in operation.

With its 14 MW capacity, its energy capacity is 31 times greater than the turbines at that time installed at Vindeby. The truly global appeal of this turbine is shown by an impressive order backlog from different customers in markets as diverse as Taiwan, the United States, or the United Kingdom.

Another important milestone for the Offshore business unit during 2021 was the announcement of an expansion to the offshore blade factory in Hull in the UK. This will more than double the size of the manufacturing facilities and is planned to be completed in 2023.

Cementing its commitment to leading the offshore revolution worldwide, Siemens Gamesa completed Taiwan's very first local wind turbine nacelle assembly. When it was completed during the summer at Taichung Harbor, the facility became our first manufacturing plant of its kind outside of Europe.

Furthermore, the company solidified its presence in the key U.S. offshore wind market with the ceremony to launch what will be the first offshore wind turbine blade facility in the United States. Upon execution of a firm order for the 2.6-GW Coastal Virginia Offshore Wind Commercial Project with Dominion Energy, Siemens Gamesa will develop a blade facility in Virginia.

These are critical investments in our future and that will enable us to maintain our global leadership.

Offshore is still in its infancy but what was previously a purely northern European business is now becoming truly global. We are proud that our company is leading this Offshore march.

The Service business unit continued to grow in 2021, and is an important source of profitability for the company. Growth was supported by significant new orders that helped to strengthen an already well-diversified portfolio of assets for the maintenance and optimization of wind turbines in its operation globally.

Our fleet under maintenance grew 7% year-over-year to an impressive 79GW, and 52% of Siemens Gamesa's order backlog at the end of the fiscal year came from Service. Our retention rate for FY21 was 67%, and the contract renewal rate grew to 83%, up from 70% in FY20.

The Service business delivered an EBIT margin of 22.4% in FY21 and continues to generate the highest margins of the company's three business units. Growth prospects remain strong going forward, driven by an increased aftermarket focus.

Over the last year the Service unit also signed some key contracts which helped to drive the business forward. These included an extension that triples the service agreement for the 714 MW East Anglia ONE wind project in the UK from five to fifteen years. This is one of the largest contracts ever for the business unit. The Service business unit also strived to expand its multi-brand fleet approach over the year, and now boasts over 12 GW of capacity worldwide.

With all turbines around the world, Service works to ensure that they are operating at their top capacity and generating their maximum potential energy. We cover the full life cycle of a turbine, from when a wind park is commissioned to assuring its successful performance over its life.

We use innovative technology to leverage Big Data and provide enhanced performance for our customers. Our longstanding deployment of smart sensors and the use of advanced analytics allows us to turn data into insights. We also partner with other stakeholders whenever is possible to advance our industry. One example: the

delivery of spare parts to offshore wind farms via drones, a forward-leaning initiative we are undertaking together with Ørsted, Vattenfall, Vestas, and others.

Our current performance, and that of the OEM sector in general, stands in stark contrast to the long-term outlook for our industry.

Across the world, policy makers have increasingly placed their faith in wind energy to enable reductions in carbon emission that keep the Paris Agreement target of 1.5 degrees of warming within reach.

That has translated into commitments to the installation of wind energy that will underpin exponential growth for our industry.

Wood Mackenzie currently forecasts annual installations to grow 33% in the second half of this decade from 86GW in 2021 to 114GW average between 2025 and 2030.

Furthermore in Offshore, where Siemens Gamesa is the global market leader, the estimated 12GW of installations in 2021 are forecast to grow to 20GW in 2025 and to an impressive 40GW in 2030.

Over recent weeks we have also seen governments respond to the war in Ukraine. They are starting to revisit both their overall renewable energy targets, and the urgency with which they plan to introduce them. This is the imperative of energy security.

The International Energy Agency's net zero scenario foresees even steeper growth. It is clear that whichever forecast you look at, there are significant opportunities for Siemens Gamesa.

As the charts show, however, the growth is not expected to arrive until the middle of the decade. For Siemens Gamesa the work of meeting this challenge has started. That means the expansion and globalization of Offshore footprint is in our focus. But it also means ensuring our business is in shape for that growth. I will move on to that now.

It is still early days for me at Siemens Gamesa. This is just my 24th day now, and as a result I am still learning every day about the company. In addition, I am working hard with my management team to develop the plans that will help us deliver our vision of being a leader of this industry.

Our ambition should be that our technology, our customer service, our innovation and our performance are regarded as being the benchmark in this industry.

It is clear that at the moment, in certain areas such as Offshore, we can lay claim to this leadership. In other areas we are at par with others or behind. There is much work to be done to bring all these up to the standards we aspire to.

Currently we are working in parallel on two time horizons. First, we need to stabilize the business as quickly as possible to ensure that we no longer produce the deviations from plan. That work has begun with my management team and we are already addressing key areas such as the 5.X with a dedicated task force and actions aimed at mitigating the impact of the supply chain crisis.

And we will work then on a plan for our mid term transformation journey, and that means:

- We want to support our customer better for their ambitious growth plans, also in geographies just opening up for wind
- We want to Ensure the right portfolio of turbines for the different applications, use cases, national requirements
- We want to Maintain our technical leadership
- And, of course, we want to further optimizing our cost position

This plan will be designed to take our company to where it belongs: One of the leaders in this industry.

As I said earlier, I am encouraged by the response of our colleagues and people. They are ready to play their part and with that support, we will surely be successful.

In conclusion, we can all clearly appreciate that both the industry and the company are facing challenging times. But we are determined to transform Siemens Gamesa into a company that really and truly delivers value for all our stakeholders: for our investors, our customers, our employees and society.

And a great amount of work is being carried out at all levels in the company to bring this turnaround about as quickly as possible.

We have no time to lose on this turnaround mission. The climate emergency demands that we step up to help deliver on a global energy transition. And the war in Ukraine has highlighted the key role wind can play in providing energy security.

As an industry we are only really getting started. The world needs to install much more wind energy and at a faster rate than in previous decades. It is our duty at Siemens Gamesa to embrace those challenges and strive to extract the most from wind energy in the years ahead.

That will be in Onshore, in Offshore, through great services to customers, and even by providing new solutions also in the field of green hydrogen. I believe we have the right mix of people and technology at Siemens Gamesa to help us do just that.

Thank you very much.



