ENR.DE gideon lens

Siemens Energy (ENR.DE) — Gideon-Lens Equity Research

Report ID: ER2-ENR-DE-20260911 **Production completion date:** 2026-09-14 **Analyst framework:** ER2 / Gideon, Production Mode **Security:** XETR:ENR ordinary registered share **Price anchor:** EUR 140.82, completed Xetra session on 2026-09-10 **Market capitalization:** EUR 120.45bn on provider basic shares; EUR 123.27bn on the sealed diluted listed-equivalent share basis **Fiscal year end:** September 30

Verdict block

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	YELLOW	Strong turnaround delivery; ownership, cash quality and TI safeguards remain open
Moat	YELLOW	Gas/Grid advantages are real; 2046 durability and Gamesa remain unresolved
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base EUR 5.747 EPS implies EUR 86.21 value and -38.78% cushion
Compounder Score	Audited 41 / 100	Reject diagnostic; current price and unproven reinvestment economics dominate
Business Quality Score	Audited 39 / 80	Attractive Gas/Grid franchises do not yet establish dream-business quality
20% Return UW Score	Audited 2 / 20	Even the Bull case produces only 7.36% gross EUR IRR

One-line reason to pass: Siemens Energy owns valuable Gas Services and Grid Technologies franchises, but EUR 140.82 already capitalizes a quality and execution record that the group, especially Siemens Gamesa, has not proved.

Security return underwriting (mandatory even when the verdict is PASS):

Measure	Result	Notes
Primary valuation method	P/E	One audited method controls every scenario, probability weighting, reverse return and net-SGD calculation
Gross local-currency bear / base / bull IRR	-27.03% / -8.17% / 7.36%	Five-year annualized shareholder return in EUR
Probability-weighted gross local-currency IRR	-6.99%	CAGR of 25% / 55% / 20% probability-weighted terminal wealth; scenario IRRs are not averaged
Return bridge	EUR 140.82 to EUR 29.14 / 91.95 / 200.88	Exact 2026-06-30 to 2031-06-30 horizon; statutory diluted EPS × 14x / 16x / 20x; zero distributions; no post-P/E cash/debt adjustment

Gross local-currency underwriting is in EUR. Net-SGD costs, withholding and FX adjustments appear separately in CIO actionability. The tables below use EUR billions except per-share amounts and use the same audited P/E method throughout.

Bear-case operating and return bridge

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	EUR 41.844bn	EUR 39.906bn	-0.94%	Gamesa under-booking, TI separation and scarcity normalization outweigh Gas/Grid resilience
Operating margin	9.13%	7.32%	-1.82 pp	Renewed wind losses and project pressure reduce statutory margin

Bear case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Operating earnings	EUR 3.822bn	EUR 2.920bn	-5.24%	Statutory operating income after the sealed segment-to-group bridge
Diluted share count	875.371m	875.995m	0.01%	Awards dilute modestly; no unsupported economic-retirement credit
EPS	EUR 3.075	EUR 2.081	-7.51%	Parent-attributable statutory diluted EPS after 88% parent attribution
Valuation denominator	Reported EUR 3.075; normalized EUR 3.441	EUR 2.081 statutory diluted EPS	Comparable	Normalized current and terminal denominators share the same listed-unit and parent perimeter
Valuation	40.92x normalized P/E	14.00x P/E	-26.92x	Below the 15.48x positive FY2018 observation for renewed Gamesa/project risk
Share value	EUR 140.82	EUR 29.14	-27.03%	EUR 2.081 EPS × 14x; no separate cash, debt, lease or TI adjustment
Annual dividend	EUR 0.70 current	EUR 0.00 modeled	Zero-distribution diagnostic	No source-bound 2027-2031 payout cadence is available
Dividend yield	0.50% current	0.00% modeled	-0.50 pp	Forward distributions are explicitly zero rather than fabricated
Five-year dividends	-	EUR 0.00	Cumulative	Conservative zero-distribution diagnostic
Total ending value	EUR 140.82	EUR 29.14	-27.03% gross EUR IRR	Terminal share value plus zero cumulative distributions

Base-case operating and return bridge

Base case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	EUR 41.844bn	EUR 51.776bn	4.35%	Gas/Grid backlog converts while TI deconsolidates and Gamesa recovers slowly
Operating margin	9.13%	13.54%	+4.41 pp	Gas/Grid scale and a repaired 3% Gamesa margin lift statutory profitability
Operating earnings	EUR 3.822bn	EUR 7.011bn	12.90%	Statutory operating income after corporate, special-item and amortization bridges
Diluted share count	875.371m	884.092m	0.20%	Existing awards and future grants are counted; no buyback retirement assumed
EPS	EUR 3.075	EUR 5.747	13.32%	92% parent attribution plus a 25% retained TI equity-method contribution counted once
Valuation denominator	Reported EUR 3.075; normalized EUR 3.441	EUR 5.747 statutory diluted EPS	Comparable	Current normalization and terminal EPS use the same parent/listed-share perimeter
Valuation	40.92x normalized P/E	16.00x P/E	-24.92x	Near the positive historical low and below FY2024 and peer-native anchors
Share value	EUR 140.82	EUR 91.95	-8.17%	EUR 5.747 EPS × 16x; retained TI income is already inside EPS
Annual dividend	EUR 0.70 current	EUR 0.00 modeled	Zero-distribution diagnostic	Capital-return framework lacks a source-bound annual scenario cadence
Dividend yield	0.50% current	0.00% modeled	-0.50 pp	No forecast cash distribution is assumed
Five-year dividends	-	EUR 0.00	Cumulative	Conservative zero-distribution diagnostic

Base case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Total ending value	EUR 140.82	EUR 91.95	-8.17% gross EUR IRR	Terminal share value plus zero cumulative distributions

Bull-case operating and return bridge

Bull case	Start (2026-06-30)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	EUR 41.844bn	EUR 69.165bn	10.57%	Gas/Grid capacity fills, Gamesa repairs and TI remains consolidated
Operating margin	9.13%	17.44%	+8.31 pp	High utilization, backlog pricing and 9% Gamesa margin all succeed
Operating earnings	EUR 3.822bn	EUR 12.064bn	25.85%	Statutory operating income after the complete group bridge
Diluted share count	875.371m	893.853m	0.42%	Higher award issuance follows the stronger operating outcome
EPS	EUR 3.075	EUR 10.044	26.71%	Parent-attributable statutory diluted EPS after 95% attribution
Valuation denominator	Reported EUR 3.075; normalized EUR 3.441	EUR 10.044 statutory diluted EPS	Comparable	Terminal perimeter remains parent-attributable and diluted on the listed unit
Valuation	40.92x normalized P/E	20.00x P/E	-20.92x	Below FY2024 and current peer-native ranges despite successful execution
Share value	EUR 140.82	EUR 200.88	7.36%	EUR 10.044 EPS × 20x with no post-P/E adjustment
Annual dividend	EUR 0.70 current	EUR 0.00 modeled	Zero-distribution diagnostic	Unsupported forward distribution estimates are not invented
Dividend yield	0.50% current	0.00% modeled	-0.50 pp	Model assigns no forward cash distribution
Five-year dividends	-	EUR 0.00	Cumulative	Conservative zero-distribution diagnostic
Total ending value	EUR 140.82	EUR 200.88	7.36% gross EUR IRR	Terminal share value plus zero cumulative distributions

CIO actionability (separate from ER2 underwriting):

Measure	Result	Notes
Status	PASS	This is separate from the ER2 verdict and authorizes no action
Bear / Base / Bull net SGD IRR	-29.46% / -9.24% / 8.26%	Five-year annualized after 0.35% entry/exit costs, conservative FX and assumed withholding
Probability-weighted net SGD IRR	-7.43%	CAGR of 25% / 55% / 20% probability-weighted terminal net-SGD wealth
10% mandate hurdle	FAIL	Base and probability-weighted returns are both negative
15% stretch hurdle	FAIL	Even Bull remains below the stretch objective
Downside and portfolio fit	FAIL	Severe downside plus indirect EWG exposure makes direct ownership duplicative
Proposed sizing ceiling	None	Zero-size research conclusion; any future proposal still requires owner approval

Net-SGD uses the same P/E terminal values, 0.35% entry and exit costs, 26.375% assumed dividend withholding with zero cash effect, and exit/entry EUR-SGD ratios of 0.85x, 0.95x and 1.05x. The existing portfolio holds 4,663 EWG shares at about 9.1% of NAV and 1,612 POWR shares at about 1.9%; ENR.DE already overlaps EWG. The research therefore does not support replacing a material part of either holding.

Trade execution authorized: NO

Stage 0 — Time anchor

Today is 2026-09-14. Siemens Energy's fiscal year ends September 30. The latest completed reported period is the nine months ended 2026-06-30. The trailing-twelve-month anchor is Q4 FY2025 plus Q1, Q2 and Q3 FY2026, ending 2026-06-30. The forward horizon is exactly five calendar years to 2031-06-30; all compounding, terminal values and P/E-15 tests use that span.

Stage 1 — Disqualifier sweep

ROIC is **yellow**: FY2025 adjusted ROIC improved, but the five-year median is negative and comparable organic/acquisition-inclusive ROIIC is unavailable. Cash conversion is **yellow** because strong recent free cash flow is materially influenced by customer advances and provision timing. Balance-sheet leverage is **green** on EUR 8.129bn of simple net cash and normalized guarantee access. End-market growth is **green/yellow**: electricity demand, grid investment and installed-base service are strong, while wind order coverage and industrial cyclicality remain weak. Governance is **yellow** because turnaround accountability is credible but beneficial ownership, cash-quality disclosure and TI transaction safeguards remain incomplete. AI disruption is **green** because the core products are physical, regulated and mission-critical rather than replaceable information workflows. Pricing power is **yellow**: Gas service and Grid qualification support it, but capacity additions and Gamesa's project history prevent a group-wide green rating.

Management

Management earns YELLOW. Christian Bruch and Maria Ferraro have restored profitability, financing access and execution discipline after a severe Gamesa crisis. Gas and Grid capacity investment is strategically coherent against record backlog, and the capital-allocation framework balances roughly EUR 6bn of investment with potential shareholder returns and reserve capacity. The evidence is not yet sufficient for PASS: customer advances flatter current cash conversion, reservation fees and backlog economics are not fully quantified, executive beneficial ownership is not transparently demonstrated, and Gamesa has not produced a long enough record of profitable cohorts and cash recovery. The proposed TI separation is sensible but still lacks a settled valuation, transaction form, retained-stake governance and minority safeguards. Management must prove per-share capital discipline through those decisions, not merely operational stabilization.

Moat

The moat and 2046 test are both YELLOW. Gas Services benefits from installed equipment, proprietary parts, service history, field engineering and uptime-critical customer relationships. Grid Technologies benefits from qualification, power-electronics capability, scarce high-voltage engineering, manufacturing capacity and single-point accountability on complex systems. These advantages are identifiable and difficult to replicate quickly. But current Grid margins may partly reflect scarcity rather than permanent economics, and competitors are adding capacity. Siemens Gamesa still carries platform, warranty, offshore-ramp and fixed-price-project risk. A credible 2046 company is a dispatchable-power and grid lifecycle specialist with a larger service mix, a deconsolidated TI and a repaired or smaller wind business; the available record does not yet prove that outcome or stable group returns through a full cycle.

Stage 5 synthesis

The repaired model cleared all 11 statutory and arithmetic tie-outs. TTM revenue is EUR 41.844bn, statutory operating income EUR 3.822bn and parent-attributable income EUR 2.692bn. The Base case reaches EUR 51.776bn of revenue, EUR 7.011bn of statutory operating income, EUR 5.081bn of parent-attributable income and EUR 5.747 of diluted EPS at 2031-06-30. Required EPS for the P/E-15 gate is EUR 9.388. Base value at 15x is only EUR 86.21, producing a negative 38.78% cushion; only the Bull case narrowly clears with EUR 10.044 EPS and a 6.99% cushion. The separate expected-return model uses independently underwritten 14x, 16x and 20x exit P/Es, not the gate's 15x multiple.

The repair reduced Gamesa's controlling Base terminal margin from 5% to 3%, replaced a flat parent-attribution proxy with 88%/92%/95% scenario-specific assumptions, and included a 25% retained TI stake once through Base equity-method parent income. It books no TI proceeds, deconsolidation gain or separate transaction value. Diluted shares rise to 875.995m, 884.092m and 893.853m across Bear, Base and Bull. The reflexivity check ties both FY2025 and TTM segment profit through corporate items, special items and acquisition amortization to statutory operating income, with no plug or hidden reclassification.

Synthesis measure	Bear	Base	Bull
2031 revenue	EUR 39.906bn	EUR 51.776bn	EUR 69.165bn
2031 statutory operating income	EUR 2.920bn	EUR 7.011bn	EUR 12.064bn
2031 parent-attributable diluted EPS	EUR 2.081	EUR 5.747	EUR 10.044
P/E-15 cushion	-77.83%	-38.78%	6.99%

Red team

The final red team classifies the return model as MATERIAL_RESOLVED. The strongest bear point is that even the repaired Bull case—requiring simultaneous Gas, Grid, Gamesa, TI, tax and attribution success—earns only 7.36% gross EUR IRR. The strongest objection to excessive bearishness is that 16x sits at the bottom of the supportable Base range; a 20x sensitivity improves Base IRR by 4.19 percentage points but still leaves it negative at roughly -3.98%. Gamesa margin, TI/NCI perimeter, scenario probabilities and exit multiples now have explicit two-sided bounds and count-once treatment. The conclusion is robust: the price, rather than an unresolved calculation defect, prevents actionability.

Kill / trigger criteria

- Do not revisit direct ownership unless valuation falls materially or source-bound earnings rise well beyond Base without weaker durability; the current 20% Base max-buy-price diagnostic is EUR 36.95.
- Treat Gamesa trailing-four-quarter order intake below 0.80x revenue at both next reports, combined with a negative quarterly Profit before Special Items margin, as failure of the operating-repair thesis.
- Treat any new Gamesa quality/warranty provision of at least EUR 0.5bn as an accelerated adverse trigger.
- Require Grid margin to remain above 14% after competitor capacity commissions and Gas Service to sustain high-single-digit growth with at least 16% margin before upgrading quality confidence.
- Reassess only after a transparent TI transaction establishes consideration, retained-stake economics, stranded costs and minority safeguards without double counting.

Analyst flags

The sealed quote packet was validator-clean on 2026-09-12 and its later expiry is a scheduled-completion freshness advisory; the exact EUR 140.82 listing, session, unit bridge and packet bytes remain unchanged. No credible comparable three- or five-year organic and acquisition-inclusive ROIIC series exists. A source-bound 2027-2031 distribution cadence is unavailable, so returns use a clearly labelled zero-distribution diagnostic. EV/NOPAT does not control because a complete terminal lease and senior-claim path is unavailable; P/E is the sole audited method. Exact investor-account costs are unavailable, so the net-SGD overlay uses conservative diagnostic assumptions. These constraints lower confidence to Medium, but none makes the finite security-return bridge unavailable or creates trade, ranking, sizing, portfolio-mutation or messaging authority.

Appendix A - Company Primer

Siemens Energy — Institutional Company Primer

Ticker: ENR.DE **Fiscal year-end:** September 30 **Financial anchor:** TTM ended June 30, 2026 **Exact five-year horizon:** June 30, 2031 **Mode:** Production **Run ID:** pulse-cio-20260911T040231+0800 **Trade execution authorized:** false

Scope and source discipline

This primer is an orientation document for an institutional investor, not a valuation conclusion or a trade recommendation. Every financial figure below comes from the QFR-sealed `quant_foundation.md`, which reconciles the official FY2025 annual report, 9M FY2025 statement, and 9M FY2026 statement. The construction of the trailing twelve months is FY2025 minus 9M FY2025 plus 9M FY2026, ending June 30, 2026. Siemens Energy's official reporting controls where FMP is stale, empty, or differently classified. Live FMP pulls in this run confirmed the issuer identity and the known annual-statement classification differences, but they are not substituted for the sealed foundation.

Qualitative orientation is based only on current official materials fetched in this run: the [Siemens Energy Annual Report 2025](https://assets.siemens-energy.com/dam/32b27e9a-af91-4915-8b51-b3af012d0d98/A-Siemens_Energy_Annual_Report_2025-pdf_Original%20file.pdf), the [Q3 FY2026 earnings release](https://www.siemens-energy.com/global/en/home/press-releases/earnings-release-q3-fy-2026.html), the company's [March 2026 gas-power investor presentation](https://assets.siemens-energy.com/dam/1e0dc454-06b5-46d5-92d8-b41000da6797/2026-03-16---Oxcap-Power-Day_presentation-pdf_Original%20file.pdf), and the [August 2026 announcement on a planned Transformation of Industry separation](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-is-starting-preparations-for-business-area-transf.html). Where the company does not disclose a fact, the primer says so rather than filling the gap from an aggregator or model memory.

1. What the company does and who buys from it

Siemens Energy is a global supplier of the equipment, systems, engineering and long-duration services used to generate, transmit and manage electricity and energy-intensive industrial processes. It sits upstream of utilities and industrial operators: customers do not buy consumer products; they buy turbines, generators, transformers, high-voltage links, substations, compressors, wind turbines, automation and the maintenance needed to keep those assets available for decades. The company estimates that technology associated with it underpins a meaningful share of global electricity generation, which illustrates the installed-base scale but should not be mistaken for a revenue market-share statistic.

The business solves three related customer problems. First, power producers need dependable generation that can meet load when intermittent renewable output is unavailable. Gas and steam turbines, generators and controls provide that dispatchable capacity. Second, grids must move growing amounts of electricity over longer distances, integrate offshore and onshore renewables, stabilize frequency and voltage, and serve new loads such as data centers. High-voltage direct-current systems, transformers, switchgear, grid-stabilization equipment and digital controls address that bottleneck. Third, industrial customers need to reduce fuel consumption, emissions and downtime without replacing every installed asset. Compressors, industrial turbines, electrification systems, electrolyzers and lifecycle services address that need. Siemens Gamesa adds onshore and offshore wind equipment and service.

Customers include regulated and state-owned grid operators, investor-owned and municipal utilities, independent power producers, renewable project developers, engineering-procurement-construction contractors, infrastructure investors, oil-and-gas and process-industry operators, and increasingly data-center developers and operators. The buying process is primarily direct, technical and project-led. Large orders often involve tenders, extensive prequalification, engineering studies, bank guarantees, milestone billing, customer advances, and contractual acceptance tests. EPC contractors and consortium partners can be either customers or delivery partners. After equipment is installed, the relationship may convert into multi-year maintenance, spare-parts, upgrade, digital-monitoring and performance contracts. The annual report describes multi-year projects and long-term service contracts as central to revenue visibility.

This route to market matters. Siemens Energy is not a simple catalog-equipment vendor whose quarterly revenue follows spot demand. Winning a project requires installed engineering credibility, local execution capability, references, supply-chain access and balance-sheet capacity to support guarantees. Revenue then appears over manufacturing and construction milestones, while service revenue follows outages, inspections, parts replacement, upgrades and contractual availability. That creates strong visibility but also makes backlog quality, contract terms and execution discipline more important than the

headline size of order intake.

2. Four-segment revenue architecture

The company reports four business areas. Gas Services, Grid Technologies and Siemens Gamesa are reportable segments; Transformation of Industry is presented voluntarily as if it were one, even though its four internal businesses have different economic characteristics. Segment revenue includes internal sales, so the segment sum exceeds consolidated revenue before eliminations.

FY2025 business area	Revenue (€m)	% of consolidated revenue	Profit before Special Items (€m)	Margin
Gas Services	12,198	31.2%	1,580	13.0%
Grid Technologies	11,305	28.9%	1,791	15.8%
Transformation of Industry	5,723	14.6%	646	11.3%
Siemens Gamesa	10,375	26.6%	(1,364)	(13.1%)
Segment total	39,601	101.3%	2,653	6.7%
Revenue reconciliation / corporate effects	(524)	(1.3%)	(298)	n/a
Consolidated / segment-profit basis	39,077	100.0%	2,355	6.0%

Gas Services (GS). GS develops, delivers and services large and small gas turbines, steam turbines, generators, combined-cycle plant equipment, and instrumentation and controls. Its customer proposition is availability, efficiency and operating flexibility. A modern gas plant can balance intermittent renewable generation, serve rapidly growing loads, or replace less efficient coal generation. Gas assets can also be upgraded over time, including for lower-carbon fuels and carbon-capture configurations. The commercial model combines capital-intensive new-unit projects with a long service tail. Utilities, independent power producers, EPCs, industrial customers and oil-and-gas customers are the core base; data centers are becoming more relevant. The [annual report](https://assets.siemens-energy.com/dam/32b27e9a-af91-4915-8b51-b3af012d0d98/A-Siemens_Energy_Annual_Report_2025-pdf_Original%20file.pdf) describes a small group of multinational turbine OEM competitors rather than a fragmented market.

Grid Technologies (GT). GT supplies the high-voltage equipment and systems needed to move and stabilize electricity. The portfolio spans transformers, switchgear, circuit breakers, substations, offshore grid connections, HVDC links, flexible AC transmission systems, grid automation, storage integration, digital upgrades and maintenance. Customers are grid operators, infrastructure providers, generators, industrial companies, governments and data-center operators. The segment's economic exposure is to grid expansion, renewable interconnection, replacement of aging equipment and increasing grid complexity. The annual report describes competition from global multinationals and manufacturers based in China, South Korea and Japan, with regional competitors expanding internationally.

Transformation of Industry (TI). TI groups Compression, Industrial Steam Turbines & Generators, Electrification-Automation-Digitalization, and Sustainable Energy Systems. Its products include industrial compressors, turbines, generators, motors, drives, electrolyzers, batteries, fuel cells and digital systems. Customers operate in oil and gas, chemicals, petrochemicals, mining, metals, pulp and paper, cement, maritime, subsea, data centers and other process industries. The aim is to increase output and reliability, cut energy use, electrify processes and enable hydrogen or carbon-management applications. In August 2026, Siemens Energy announced preparations to separate TI legally and operationally and ultimately explore an ownership structure that could deconsolidate it while retaining a meaningful minority stake. This is now a material perimeter issue for any five-year forecast: direct shareholders may own a more focused gas-grid-wind company plus a minority interest rather than today's fully consolidated four-segment group.

Siemens Gamesa (SG). SG designs, manufactures and installs onshore and offshore wind turbines and services wind farms. Contract scope ranges from component supply to complete EPC responsibility. Customers are large utilities, independent power producers and renewable developers. Onshore wind has many providers and strong price competition; offshore is concentrated among a few experienced suppliers because scale, vessel access, manufacturing capability and technology qualification are significant barriers. Chinese manufacturers are increasingly global. SG gives Siemens Energy exposure to renewable build-out and a large service installed base, but it also introduces the group's largest quality, warranty, execution and cash-consumption risks.

The TTM mix shows that the profitable center of gravity is shifting toward Gas Services and Grid Technologies. Together they produced €4,213 million of Profit before Special Items on €26,313 million of segment revenue. TI added €720 million, while SG still lost €318 million. Consolidated revenue was €41,844 million and operating income was €3,822 million. The improving group margin therefore reflects both strong gas/grid economics and a narrowing wind loss; it does not yet prove that all four segments have reached through-cycle quality.

3. How a revenue euro becomes profit

The company does not disclose segment cost of revenue and operating expenses in a way that permits a full gross-margin bridge. The correct analytical lens is therefore the disclosed segment Profit before Special Items, combined with product mix, service intensity, project execution, capacity utilization and warranty experience. It would be misleading to invent segment gross margins.

TTM business area	Segment revenue (€m)	External new units (€m)	External service (€m)	Service share of disclosed external product revenue	Profit-before-SI margin
Gas Services	13,424	5,258	7,943	60.2%	14.7%
Grid Technologies	12,889	11,936	664	5.3%	17.4%
Transformation of Industry	5,865	3,219	2,446	43.2%	12.3%
Siemens Gamesa	10,368	7,725	2,643	25.5%	(3.1%)

The external product table excludes internal revenue, so its totals do not exactly equal segment revenue. Even so, the mix is economically informative.

GS unit economics. A new gas turbine is both a project and an installed-base acquisition. The original equipment order absorbs engineering, precision manufacturing, testing, installation and commissioning costs. Competitive bidding and long lead times can limit the initial margin, although recent scarcity, improved pricing and fuller factories can lift backlog quality. The attractive second layer is service: inspections, replacement parts, repairs, controls, efficiency upgrades and lifetime extensions recur over roughly two decades. Service uses proprietary know-how and parts, is tied to uptime-critical equipment, and is normally higher margin than equipment. The [March 2026 investor presentation](https://assets.siemens-energy.com/dam/1e0dc454-06b5-46d5-92d8-b41000da6797/2026-03-16---Oxcap-Power-Day_presentation-pdf_Original%20file.pdf) depicts this equipment-to-lifecycle flywheel and improving margins in both new units and service backlog. The key variables are shop capacity, delivery slots, turbine mix, service attachment, outage cadence, pricing and field performance.

GT unit economics. GT is currently equipment- and solutions-heavy, not service-heavy. A revenue euro must cover copper, electrical steel, specialized components, engineering, factory labor, testing, logistics and site work. Systems such as HVDC links and offshore connections add consortium and execution complexity. Profitability improves when pricing captures scarce capacity, standardization reduces engineering hours, plants run at high utilization and projects remain on schedule. It deteriorates when suppliers slip, materials inflate, customers change scope, or liquidated damages accrue. A low current service mix means the segment's strong margin cannot be explained by recurring maintenance alone; backlog pricing, capacity discipline and execution are doing much of the work. That makes conversion of record demand into on-time, cash-generative revenue a central monitoring issue.

TI unit economics. TI is a mixed industrial technology portfolio with a meaningful service component. Compression and industrial turbines have installed-base economics similar to GS, but the customer set is more industrial and transactional. Electrification and automation add hardware, software and engineering. Hydrogen and other sustainable-energy systems can be early in their learning curves and exposed to utilization risk if policy-supported markets develop slowly. Customized solutions can command value-based pricing, while immature products can consume engineering hours and working capital. The planned separation reflects this distinct cadence: management says TI serves markets that move faster and compete for capital against even faster-growing gas and grid activities.

SG unit economics. Wind combines high material content, large factories, logistics, vessels, installation, weather risk and long warranty tails. New turbine platforms can appear attractive when sold, yet defects may emerge only after a fleet accumulates operating hours. A serial issue can therefore turn old revenue into years of repair cash outflows. Offshore projects have fewer qualified competitors but greater scale and execution exposure; onshore projects face tougher pricing and a broader competitor set. Services should improve lifetime economics, but the current service mix is insufficient to neutralize poor new-unit pricing, factory under-absorption or warranty charges. SG's margin recovery depends on disciplined product variants, fewer target markets, higher pricing, factory productivity, reliable ramp-up and actual field failure rates matching provision assumptions.

At group level, TTM operating cash flow was €9,601 million, capital expenditure was €1,810 million, and free cash flow was €7,791 million. Capital expenditure was about 4.3% of revenue, so Siemens Energy is not capital-light, but it is not behaving like a commodity owner that must reinvest most revenue merely to replace depleted reserves. The current cash conversion is also flattered by customer advance payments and favorable working-capital timing. Advances are economically useful financing, yet they carry an obligation to deliver; cash received today can reverse as inventory is built and milestones are completed. Investors should not capitalize one period's exceptional free cash flow as a permanent margin.

4. Equipment, service and backlog economics

On the QFR-sealed TTM basis, external new-unit revenue was €28,139 million and service revenue was €13,695 million, with €10 million not assigned in the product table. Service was therefore about one-third of disclosed external revenue. Its importance is larger than that share suggests because service typically carries higher margins, requires less large-project working capital, and extends the monetization of an installed asset. The annual report says the service share of backlog is materially above its share of annual revenue, which supports visibility but does not eliminate execution or contract-pricing risk.

Backlog has three distinct economic meanings. It is **visibility**, because multi-year equipment projects and service programs schedule future revenue. It is **capacity commitment**, because sold delivery slots require factories, people and qualified suppliers. And it is **embedded price and risk**, because an order can be valuable or destructive depending on escalation clauses, indexation, technical scope, warranty caps and liquidated-damage provisions. A record backlog is not automatically a record profit pool.

Customer advances make the project model partly self-funding. They reduce near-term working-capital needs and confirm customer commitment, but they can create misleading cash-flow peaks. Guarantee capacity is also a commercial resource: customers commonly require advance-payment and performance bonds, so access to committed bank facilities can constrain or enable growth even when balance-sheet debt is modest. Siemens Energy exited the German federal back-guarantee arrangement early and replaced the structure with committed private facilities, an improvement in financial independence. Nevertheless, a sharp expansion in project volume can still consume bonding capacity and working capital before it consumes conventional debt capacity.

Service backlog is usually the higher-quality portion. Turbine outages and maintenance are mission-critical, switching can be operationally risky, and proprietary parts and controls support pricing. However, long-term service agreements can transfer availability or performance obligations back to the supplier. If field reliability is worse than expected, a recurring-revenue contract can become a recurring cost burden. Investors should therefore follow service margin and cash conversion, not simply service revenue growth.

5. Route to market and customer concentration

The route to market is global direct selling supported by local sales channels, engineering teams, partners and consortiums. GS often sells to a utility, independent power producer, EPC or industrial operator; GT sells directly to grid owners, infrastructure sponsors and governments or through a project consortium; TI sells to industrial asset owners and EPCs; SG sells to utilities, developers and project owners. The long pre-award cycle includes system design, bid approval, risk assessment and bankability. The post-award cycle includes engineering, procurement, manufacturing, site execution, commissioning and service.

No quantified single-customer concentration was disclosed in the official materials reviewed for this primer. That absence should not be read as proof of a perfectly diversified book. Economic concentration can arise through a few very large projects, a small number of regulated grid customers within a country, a wind platform deployed across many related sites, or dependence on government auction and permitting regimes. For risk purposes, project, platform and jurisdiction concentration may matter more than the accounting definition of one customer.

6. Competitive landscape

Siemens Energy competes in oligopolistic and concentrated niches, but not all of them have the same moat. Large gas turbines require immense engineering histories, reference fleets and service capability, limiting credible suppliers. The installed base and long product life support aftermarket economics. Yet customers are sophisticated, orders are large, and competing OEMs can discount equipment to seed future service revenue.

Grid equipment also rewards qualification, reliability and global production, especially in HVDC, large transformers, offshore connections and high-voltage switchgear. Demand currently exceeds qualified capacity in several categories, supporting price and slot discipline. Over a five-year horizon, the risk is that incumbent expansion and Asian competitors add capacity faster

than demand, or that local-content rules fragment the global market. Product reliability and delivery performance remain decisive because grid assets are critical infrastructure.

TI competes with diversified industrial OEMs, EPC firms, specialist industrial suppliers, and cleantech or hydrogen start-ups. Its installed base and domain expertise matter, but parts of the portfolio face faster technology change and more transactional purchasing. Separation could sharpen accountability and capital allocation, but it could also reduce cross-selling, purchasing scale or shared guarantee capacity.

Wind is the hardest market structure. Onshore is comparatively fragmented and price-sensitive; offshore is concentrated but requires enormous scale, industrialized installation and balance-sheet endurance. Chinese OEMs are moving beyond their domestic market. Western local-content policy may slow that entry, but it can also force Siemens Gamesa to duplicate supply chains. A manufacturer with the largest order book can still destroy value if turbine pricing, technical reliability or contract indexation is inadequate.

7. Regulation and the energy-transition context

Siemens Energy is exposed to the energy transition as an enabler rather than a pure renewable developer. Electrification, renewable interconnection, data-center load, industrial decarbonization and energy-security spending expand the addressable market for grids, dispatchable generation and efficiency upgrades. Gas turbines can benefit from the need to balance renewables and replace coal, while hydrogen capability and carbon capture may extend their useful life. The company has not entered new tenders for pure coal-fired plants since November 2020, although it continues existing commitments and associated service.

The same policy system creates risk. Grid returns are regulated; permitting and public procurement can delay projects. Wind auction design, interest rates and developer economics affect customers' ability to proceed. Hydrogen and electrolyzer demand can depend on subsidies, carbon pricing and infrastructure that may arrive later than expected. Restrictions on greenhouse gases used in switchgear can obsolete legacy designs while creating demand for newer equipment. Tariffs, sanctions, export controls and local-content rules can raise costs or block supply chains. The annual report explicitly highlights geopolitical conflict, U.S. tariffs, China-related trade tension, raw-material availability and environmental regulation as risks to backlog execution.

The strongest secular opportunity is the collision of rising electricity demand with insufficient generation and transmission capacity. Data centers add a high-urgency customer cohort to both gas and grid. Renewables require more transmission, grid stabilization and backup capacity, not less. Aging installed equipment creates replacement and service demand. The counterargument is cyclicality and policy reflexivity: high returns attract new capacity, governments pressure suppliers on pricing, and slow permitting can turn theoretical demand into delayed revenue.

8. Siemens Gamesa turnaround and warranty exposure

SG is the critical difference between owning a strong gas-and-grid equipment company and owning Siemens Energy. TTM SG revenue was €10,368 million and its loss before Special Items was €318 million, an improvement from the FY2025 loss of €1,364 million. The [Q3 FY2026 release](https://www.siemens-energy.com/global/en/home/press-releases/earnings-release-q3-fy-2026.html) reported the first positive quarterly SG result since FY2022 and reiterated the expectation of FY2026 break-even. That is encouraging evidence of operating progress, but one quarter does not close the warranty tail.

The root problem is not merely weak end-market demand. Quality issues in the 4.X and 5.X onshore platforms required extensive technical work, sales interruption and repair provisions. Offshore ramp-up and complex long-term contracts add separate execution risks. The FY2025 annual report's independent auditor treated warranty and onerous-contract provisions associated with onshore quality issues as a key audit matter because the estimates depend on failure rates, number of affected turbines and cost per repair. Existing accruals can prove insufficient if defects appear later or remediation takes longer.

The turnaround program rests on narrower product and geographic focus, renewed bid discipline, higher prices, cost reduction, factory productivity, contractual indexation and risk sharing, technical remediation, and integration into Siemens Energy's procurement, customer and governance systems. The company says the dedicated quality task force has moved into normal operations, which is a sign of institutionalization rather than proof of completion. Cash remains a lagging indicator because provision utilization continues after accounting profit improves.

The right investor questions are therefore physical: Are field failure rates stabilizing? Are remediation campaigns completing on schedule? Are warranty provisions being consumed within plan rather than topped up? Are new platform bids protected by pricing, liability caps and supplier recourse? Is offshore output increasing without non-conformance costs rising? A durable turnaround requires positive margin, cash generation and a shrinking risk tail at the same time.

9. Balance sheet and cash allocation

At June 30, 2026, Siemens Energy had €11,088 million of cash and equivalents, €2,959 million of gross debt, simple net cash of €8,129 million, and adjusted net cash of €7,719 million. This is a strong starting position for a project business and materially reduces refinancing risk. The balance sheet must nevertheless support customer guarantees, inventory, capacity expansion and warranty remediation; not all cash is economically surplus.

TTM free cash flow was €7,791 million, but advance payments and working-capital timing made it unusually strong. Cash allocation over the period included €2,288 million of treasury-share purchases and €601 million of dividends to Siemens Energy shareholders. Treasury purchases should not automatically be interpreted as purely discretionary buybacks because the group also uses treasury shares for employee programs. The practical hierarchy is likely: preserve investment-grade access and guarantee capacity; fund profitable gas and grid capacity; meet SG quality obligations; invest in technology and localization; then return excess capital.

The planned TI separation could change this architecture. Deconsolidation may crystallize value and focus capital on power generation and transmission, but transaction structure matters. Investors need to know which debt, pensions, guarantees, stranded corporate costs and cash are allocated to the new entity, and how a retained minority stake is valued. Until those terms exist, the current net-cash figure should not be mapped mechanically to a post-separation share value.

10. Secular opportunities and structural risks

The opportunity set is unusually broad: gas-generation slots for load growth and renewable balancing; long-duration service on an expanding fleet; grid expansion and replacement; offshore connections and HVDC; SF6-free equipment; digital monitoring; industrial efficiency; compression for gas, hydrogen and carbon dioxide; wind repowering and service; and potential value realization from TI separation. The highest-quality opportunity is not simply selling more equipment. It is converting scarce engineering and manufacturing capacity into a larger, better-priced installed base with decades of service pull-through.

The structural risks are equally broad. Siemens Energy can misprice a multi-year contract, fail to expand a factory on time, suffer a fleet-wide defect, lose supplier capacity, incur tariffs, or consume customer advances during execution. Demand is exposed to interest rates, utility regulation, public budgets, permitting and energy policy. Gas equipment could face stranded-asset concerns if decarbonization paths tighten faster than low-carbon fuel capability develops. Grid and wind competitors may localize and compress pricing. TI separation introduces perimeter and dis-synergy risk. Above all, recent margin improvement may represent a favorable scarcity and execution phase rather than a permanent through-cycle level.

11. Monitoring questions for a direct ENR.DE position versus EWG and POWR

Existing exposure through EWG and POWR changes the decision from “is Siemens Energy attractive?” to “does concentrated Siemens Energy risk improve the portfolio after overlap?” EWG already provides broad German equity exposure, while POWR provides thematic exposure to electrification and grid investment. A direct ENR.DE position would add much more company-specific sensitivity to gas-turbine demand, grid equipment pricing, Siemens Gamesa warranties, large-project execution, and the TI transaction. It may deepen exposure to the strongest bottlenecks, but it also removes the diversification those funds provide.

The following questions should govern monitoring:

- Are GS and GT book-to-bill, backlog margins and delivery lead times holding as capacity expands, or are incremental orders being won at lower quality?
- Does GT sustain margin through higher throughput without a rise in late-delivery costs, supplier expedites or liquidated damages?
- Is GS service attachment rising with new-unit deliveries, and are outage, parts and upgrade revenues converting to cash at attractive incremental margins?

- Does SG achieve full-year break-even and then positive cash flow without new warranty top-ups or adverse fleet-failure evidence?
- How much of free cash flow is recurring operating profit versus customer advances and other working-capital timing that will reverse?
- Does capacity investment earn attractive returns after construction cost, localization requirements and the risk of industry overbuild?
- What are the final TI separation perimeter, stranded costs, capital structure, retained stake and timing, and does the transaction improve rather than obscure group economics?
- Are tariffs, export controls, local-content rules or raw-material constraints changing project profitability faster than contract escalators can compensate?
- Are data-center orders diversified across customers and regions, and do they represent durable power demand rather than an investment bubble concentrated in a few sponsors?
- Relative to EWG and POWR, how much incremental exposure does a direct holding add to German industrials, grid capital expenditure and policy-driven energy investment, and which existing fund positions already provide similar factor exposure?
- At the direct-security level, does earnings growth catch up with the sealed market price of €140.82, which equates to 45.79 times TTM diluted EPS, or does the investment case depend on sustained scarcity margins and a benign terminal multiple?
- What single event would invalidate the ownership thesis: a new material SG serial defect, persistent negative SG cash flow, a major project loss, deteriorating guarantee access, or a structurally weaker gas/grid order margin?

Bottom line for the reader

Siemens Energy is best understood as three economic systems inside one listed company. The first is a high-value installed-base franchise in gas equipment and service. The second is a capacity-constrained grid equipment and project platform exposed to a generational transmission build-out. The third is a wind turnaround whose accounting and cash risks remain long-tailed. TI adds a profitable industrial portfolio but may leave the consolidation perimeter.

The sealed numbers show substantial improvement: gas and grid are already strong, TI is profitable, SG losses have narrowed, the balance sheet is net cash, and recent cash generation is exceptional. The correct caution is that backlog, customer advances and scarcity pricing are not equivalent to a permanent moat. The direct ENR.DE case therefore depends on repeatable project execution, service monetization, disciplined capacity growth, credible SG warranty containment and a value-preserving TI separation. Relative to EWG and POWR, direct ownership offers greater upside to Siemens Energy-specific execution but also concentrates precisely the risks that diversified vehicles dilute.

Appendix M - Management Assessment

Siemens Energy — Management Assessment

Run ID: `pulse-cio-20260911T040231+0800` **As-of date:** 2026-09-11 **Assessment window:** FY2021 through Q3 FY2026 (latest complete quarter ended 2026-06-30) **Management gate: YELLOW Trading authority:** `trade_execution_authorized=false`

Siemens Energy's leadership has earned substantial operating credit for restoring profitability in Gas Services, Grid Technologies, and Transformation of Industry; exiting the German guarantee structure; and rebuilding group financial flexibility. Christian Bruch and Maria Ferraro are unusually direct about the limits of advance-funded cash flow and the unfinished Siemens Gamesa turnaround. Nevertheless, a Production-grade management PASS is not yet justified. The same leadership team sponsored the full acquisition and integration of Gamesa before the scale of its quality and execution liabilities was fully contained, shareholders have absorbed material dilution, and the FY2026 remuneration design does not explicitly reward ROIC, per-share free cash flow, or diluted EPS. The planned separation of Transformation of Industry (TI) adds a new test of minority-holder fairness and capital-allocation discipline.

1. Leadership structure, tenure, and relevant experience

Siemens Energy operates under Germany's two-tier system. The Management Board runs the company; the Supervisory Board appoints, oversees, and remunerates it. The current Management Board has six members: Christian Bruch (President and CEO), Maria Ferraro (CFO), Karim Amin (Gas Services), Tim Holt (Grid Technologies and Labor Director), Anne-Laure de Chammard (Transformation of Industry), and Vinod Philip (Siemens Gamesa). This is a useful accountability structure because each operating segment has an identifiable senior owner rather than being hidden within a broad group portfolio. The [official Management Board page](https://www.siemens-energy.com/global/en/home/company/executive-board.html) and FY2025 annual report provide the current roles and appointment terms.

Bruch has led Siemens Energy since its 2020 separation. His term now runs to April 2030, giving the board continuity through the FY2028 cash and Gamesa milestones. His earlier roles at Linde, including executive responsibility for engineering, suit a project- and service-heavy industrial group; the [company biography](https://assets.siemens-energy.com/dam/78847ec3-266d-4cc6-82ff-b05100d52087/CV-Christian-Bruch-TAB-EN-pdf_Original%20file.pdf) supports that industrial background. Ferraro, CFO since May 2020 with a term through November 2027, previously held senior finance posts in Siemens Digital Industries, Digital Factory, and Siemens' UK and Canadian businesses. Her [official biography](https://assets.siemens-energy.com/dam/94f23415-5ec2-4cff-9e8c-b42f0081532b/maria-ferraro-cv-en-pdf_Original%20file.pdf) indicates both operational finance and geographic experience.

The segment leaders are relevant operators, not generic corporate appointees. Amin previously ran power generation and has presided over a sharp Gas Services margin recovery; Holt has overseen Grid Technologies during its capacity expansion and margin step-up; de Chammard arrived from ENGIE's energy-solutions operations; and Philip became Siemens Gamesa CEO and sole director in August 2024 after already serving on the Siemens Energy Management Board. His appointment explicitly concentrated operating responsibility and integration accountability, as described in the [Gamesa leadership announcement](https://www.siemens-energy.com/global/en/home/press-releases/strategic-development-and-personnel-change-at-siemens-gamesa.html).

The resulting management bench is credible and well matched to the assets. The caveat is succession concentration: Bruch is the central external voice, Ferraro is critical to balance-sheet credibility, and Gamesa remains dependent on the still-recent Philip tenure. The Supervisory Board should demonstrate that internal successors for CEO and CFO are being developed well before their current terms expire.

2. Five-year operating record and accountability

The consolidated record is a genuine turnaround but not a clean compounding record. Revenue rose from EUR28.5 billion in FY2021 to EUR39.1 billion in FY2025. Statutory operating income moved from negative EUR0.4 billion in FY2021 to negative EUR3.3 billion in FY2023, then recovered to positive EUR2.1 billion in both FY2024 and FY2025. Net income followed the same arc: losses of EUR0.6 billion, EUR0.7 billion, and EUR4.6 billion in FY2021-23, followed by profits of EUR1.3 billion and EUR1.7 billion. Free cash flow improved to EUR4.1 billion in FY2025, and the sealed TTM figure through June 2026 was EUR7.8 billion.

The segment record makes management attribution clearer:

Segment	FY2022 profit margin before Special Items	FY2025 margin	TTM profit through Jun-26	Management reading
Gas Services	6.5%	13.0%	EUR1.97bn	Strong service execution, pricing, productivity, and backlog quality
Grid Technologies	3.5%	15.8%	EUR2.25bn	Exceptional demand capture and capacity discipline; advance cash is material
Transformation of Industry	1.1%	11.3%	EUR0.72bn	Credible margin restoration, now subject to separation-value test
Siemens Gamesa	-6.3%	-13.1%	-EUR0.32bn	Loss narrowed sharply, but cumulative destruction and cash burn remain unresolved

Bruch, Ferraro, Amin, Holt, and de Chammard deserve credit for the three profitable segments. Gamesa prevents a blanket endorsement. Its profit before Special Items was negative EUR4.35 billion in FY2023, negative EUR1.78 billion in FY2024, and negative EUR1.36 billion in FY2025. Q3 FY2026 finally produced a positive 2.7% quarterly margin, but backlog fell from EUR36 billion at Q4 FY2025 to EUR31 billion by Q3 FY2026, and nine-month FY2026 free cash flow before tax remained negative EUR1.72 billion. Management's cash-break-even target is FY2028, two years after the operating break-even target. The board should therefore assess Gamesa on cash conversion and delivery quality, not celebrate a single profitable quarter.

Accountability is also inseparable from the decision to acquire the remaining 32.9% of Siemens Gamesa. The 2022 offer at EUR18.05 per share promised roughly EUR300 million of annual cost synergies plus revenue synergies; full integration ultimately cost about EUR4.05 billion, mostly equity-funded. The [tender announcement](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-ag-announces-voluntary-cash-tender-offer-all-outstanding-shares-siemens-gamesa.html) and [integration approval release](https://www.siemens-energy.com/us/en/home/press-releases/minority-shareholders-of-siemens-gamesa-approve-capital-reduction.html) document the rationale and consideration. Full control was strategically understandable, but the subsequent losses and quality provisions show that diligence, pricing, or risk containment was inadequate. Bruch's willingness to own the repair is positive; it does not erase the original allocation error.

3. Guidance discipline, candor, and transcript behavior

Across the eight-quarter review window, management did not record an obvious guidance miss. FY2025 began with comparable revenue growth of 8%-10%, a 3%-5% profit margin before Special Items, net income around break-even excluding the India disposal, and free cash flow before tax of up to EUR1 billion. Management first indicated that cash flow would exceed the ceiling, then raised the operating and cash outlook, and ultimately met or exceeded the revised ranges. FY2026 began at 11%-13% revenue growth, a 9%-11% group margin, EUR3-EUR4 billion net income, and EUR4-EUR5 billion free cash flow before tax. The Q2 FY2026 release raised those ranges to 14%-16%, 10%-12%, approximately EUR4 billion, and approximately EUR8 billion, respectively; Q3 confirmed them and pointed to the upper half of the margin range. The [Q2 release](https://www.siemens-energy.com/global/en/home/press-releases/earnings-release-q2-fy-2026.html) and [Q3 release](https://www.siemens-energy.com/global/en/home/press-releases/earnings-release-q3-fy-2026.html) support the latest reset and confirmation.

Call behavior is above average. Bruch has separated reservation fees from firm backlog, quantified the order exposure to Middle East gas demand and data centers, and repeatedly warned that Gamesa's operating recovery does not equal cash recovery. Ferraro cautioned investors not to annualize record order and advance receipts. When exact reservation-fee amounts varied by customer and contract, the team declined to manufacture a false number. In another call, management promised to follow up on an exact capacity figure rather than guessing. These are positive credibility signals.

The disclosure is not perfect. Management has generally declined to quantify reservation fees, detailed backlog pricing, tax-loss carryforwards, and some provision sensitivities. These refusals often have legitimate commercial or measurement reasons, but they matter because advances are a large component of current cash generation. A management PASS requires more consistent reconciliation of free cash flow between underlying earnings, working-capital advances, reservation fees, provisions, and delivery unwind.

The live FMP transcript endpoint did not provide a Q2 FY2026 transcript. The exact request was repeated once identically and again returned an empty response, satisfying the one-retry rule; the official Q2 earnings release was used instead. Seven live

FMP transcripts surrounding the gap—Q4 FY2024, all four FY2025 quarters, Q1 FY2026, and Q3 FY2026—were reviewed for consistency. No local transcript cache or warehouse was used.

4. Capital allocation and balance-sheet stewardship

The balance-sheet recovery is meaningful. Management replaced EUR11 billion of federally backed guarantees plus a EUR1 billion Siemens AG-backed facility with a new EUR9 billion bank-guarantee facility supported by 23 banks and a five-year term. This enabled early redemption of the government counter-guarantee and removal of the dividend restriction in July 2025. The [guarantee exit release](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-replaces--federal-guarantee-with-a-new-bank-facil.html) is a strong external validation of restored bank confidence.

However, headline cash is not synonymous with distributable excess capital. Contract liabilities grew from EUR10.35 billion in FY2021 to EUR22.32 billion in FY2025 and EUR28.07 billion by June 2026. Cash was EUR11.09 billion and adjusted net cash approximately EUR7.72 billion at June 2026, but the EUR5.75 billion increase in contract liabilities since FY2025 represents future delivery obligations. The Q3 release itself notes advance-driven cash flow. Management correctly acknowledges this, yet the board must prevent a temporary working-capital inflow from being capitalized into a permanent return commitment.

The November 2025 capital-allocation framework calls for approximately EUR6 billion of FY2026-28 investment, up to EUR10 billion of shareholder returns, and a strategic reserve for India proceeds, bolt-on M&A, and investment-grade balance-sheet capacity. The CFO materials divide roughly EUR28 billion of projected cash generation after tax into about one-third investment, one-third returns, and one-third reserve. That is coherent, but the quality of each use matters more than the proportions. Capex rose from EUR0.99 billion in FY2021 to EUR1.72 billion in FY2025 as Grid and Gas capacity expanded; that appears rational given strong backlog and service economics. The small Camlin Group acquisition adds grid-monitoring and digital capability, but terms were undisclosed, limiting independent return analysis; the [Camlin announcement](https://www.siemens-energy.com/global/en/home/press-releases/Siemens_Energy_expands_capabilities_with_Camlin_Group_acquisition.html) gives strategic fit but not valuation.

The record on shareholder distributions is newly aggressive. FY2026 TTM dividends were EUR601 million and treasury-share purchases were EUR2.29 billion versus EUR7.79 billion of TTM free cash flow. Shareholders approved a EUR0.70 dividend with 99.99% support at the [2026 AGM](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-annual-general-meeting-approves-all-agenda-items-.html). A 40%-60% dividend policy and buybacks can be justified after guarantee normalization, but repurchases should be tested against normalized post-advance cash flow and intrinsic value. They should also retire more shares than management compensation issues, rather than function mainly as dilution camouflage.

5. Dilution, share-based compensation, and alignment

Issued shares increased from 726.6 million at the September 2020 listing to 799.3 million after the 2023 accelerated bookbuild and 861.1 million after the 2025 mandatory-convertible conversion. That is 18.5% gross expansion from listing. The convertible alone produced 61.8 million new shares in July and September 2025. Diluted weighted-average shares rose from 714.7 million in FY2021 to 883.2 million in FY2025, while the sealed TTM count remained 875.4 million. The [capital-stock history](https://www.siemens-energy.com/global/en/home/investor-relations/share/development-capital-stock.html) documents the major steps.

Official FY2025 share-based compensation expense was EUR110 million, only about 0.28% of revenue; comparable FMP ratios for FY2021-24 were approximately 0.59%, 0.36%, 0.41%, and 0.31%. Thus ordinary SBC is not the primary dilution concern. The concern is episodic balance-sheet and acquisition financing. Treasury shares are also used for employee programs: 5.4 million treasury shares were reissued in FY2025, and 15.0 million dilutive shares were reflected in compensation calculations. Management should report a simple annual bridge from issued shares to fully diluted shares, employee-plan issuance, repurchases, and net retirement.

Management ownership requirements are directionally good: the CEO must build holdings equal to 300% of base salary and other Management Board members 200%, generally over about 4.5 years. But compliance was suspended during the federal guarantee period, with the first subsequent review no earlier than Q3 FY2026, and the report does not provide a clean beneficial-ownership table demonstrating that every executive has met the guideline. Award deliveries are not the same as retained ownership. This evidence gap blocks a full alignment PASS.

6. Remuneration design and incentives

FY2025 variable compensation was suspended under the government-guarantee conditions. Bruch's fixed target compensation was approximately EUR2.14 million and Ferraro's EUR1.16 million. An early-exit component paid during FY2025 was conditional on continued service from October 2025, and the Management Board received approximately EUR13 million in aggregate advance payment. Total IAS 24 Management Board compensation increased to EUR48 million from EUR18 million. These are disclosed and contractually explainable, but the optics and quantum are weak after a period of shareholder dilution and Gamesa losses.

The regular FY2026 framework is partly aligned. The one-year bonus is weighted one-third profit margin before Special Items, one-third comparable revenue growth, and one-third individual targets, capped at 150%. Long-term incentives vest over four years and are weighted 40% relative total shareholder return, 40% undiluted EPS, and 20% ESG, capped at 250%. More than 60% of regular target compensation is variable or multi-year. Malus and clawback provisions cover incorrect data, duty breaches, compliance, and ethics.

The design nevertheless has three material weaknesses. First, comparable revenue growth replaced free cash flow before tax in the annual bonus just as strong demand and advance receipts could encourage volume pursuit; margin is a partial counterweight, not a substitute for return on invested capital. Second, undiluted EPS does not hold management accountable for the per-share effect of capital issuance. Third, individual targets represent one-third of the annual bonus and introduce substantial Supervisory Board discretion. The temporary FY2026 retention, equity, and early-exit arrangements can drive maximum compensation to roughly four times customary levels. Given improved executive labor-market risk, some retention protection is defensible, but this is too generous without explicit ROIC, diluted per-share, and Gamesa cash milestones.

A stronger system would include multi-year ROIC or economic profit, diluted EPS rather than undiluted EPS, cumulative per-share free cash flow adjusted for customer advances, net share-count reduction, and Gamesa quality/cash milestones. ESG measures should remain, but their definitions and threshold-to-maximum curves should be disclosed in advance where competitively possible.

7. Governance, control, and minority-holder protections

The 20-member Supervisory Board has equal representation: ten shareholder representatives and ten employee representatives. Nine of ten shareholder representatives were considered independent at FY2025 year-end. Joe Kaeser has chaired it since September 2020; Dr. Hubert Lienhard served as Lead Independent Director at September 2025. This conforms to German co-determination while supplying meaningful independent oversight.

Each ordinary share carries one vote, and there are no special control shares or dual-class protections. Siemens Beteiligungen, a Siemens AG subsidiary, owns more than 10% of voting rights, but the FY2025 report does not specify the exact percentage. No other holder exceeded 10%. Related-party dealings with associates and joint ventures were ordinary-course and modest relative to group scale: FY2025 sales EUR233 million, purchases EUR263 million, receivables EUR99 million, payables EUR107 million, guarantees EUR45 million, and capital commitments EUR17 million. The report identified no further material key-executive transactions.

There is a legacy compliance red flag. Siemens Energy Inc. pleaded guilty in September 2024 and paid USD104 million concerning 2019 competitor pricing information. The company discovered the matter in 2020, investigated, voluntarily disclosed, cooperated, and strengthened controls. The conduct predates Siemens Energy's independent listing and Bruch's full tenure, but the remediation occurred under current leadership. KPMG issued an unqualified FY2025 audit opinion and did not identify a material internal-control weakness or financial restatement. This supports YELLOW rather than FAIL, but recurrence would be disqualifying.

The former Gamesa special committee was dissolved in November 2024, while Supervisory Board members Andreas Kensbock and Lienhard retained monitoring responsibilities. That preserves accountability, but reporting should continue until Gamesa reaches cash break-even. AGM support was strong—at least 96% discharge for Management Board members and more than 95% for Supervisory Board members, with 66.1% of voting capital represented—but high approval is not a substitute for outcome evidence.

8. TI separation and future allocation tests

In August 2026, management began preparing a legal and operational separation of Transformation of Industry, with intended deconsolidation while retaining a meaningful minority interest and considering external investors or capital-market options. TI has approximately 17,000 employees, FY2025 revenue of EUR5.7 billion, an 11.3% profit margin, and roughly half of revenue from service. The rationale is coherent: Gas Services and Grid Technologies have faster growth and more immediate

capacity-investment opportunities, while TI may gain strategic and financing flexibility outside the consolidated perimeter. The [official separation release](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-is-starting-preparations-for-business-area-transf.html) confirms that the process is preparatory; valuation, transaction form, retained stake, timing, and governance are not yet set.

This is therefore a governance test, not yet evidence of value creation. Minority holders need transparent segment financials, an independent valuation or fairness process, disclosure of separation and stranded costs, clean related-party service agreements, clarity on pensions and liabilities, and equal access to any distributed securities. If Siemens Energy sells control while retaining a minority, protections around governance rights, transfer restrictions, dividends, and future capital raises are essential. Proceeds should be compared against TI's stand-alone earnings and reinvestment opportunities, not merely deployed into faster-growing segments. A discounted or opaque transfer would turn an otherwise sensible portfolio move into value leakage.

9. Peer calibration, gate conclusion, and monitoring conditions

Relative to peers, Siemens Energy management ranks well on industrial turnaround but below the best on capital-allocation proof. GE Vernova under Scott Strazik has paired rapid operational improvement with unusually explicit owner-oriented allocation: its 2025 reporting cited USD59 billion of orders, USD38 billion of revenue, USD3.2 billion adjusted EBITDA, USD3.7 billion free cash flow, targeted M&A, dispositions, and substantial dividends and repurchases. The [GE Vernova CEO letter](https://www.gevernova.com/investors/annual-report/ceo-letter) explains allocation choices in clearer per-dollar terms. Vestas under Henrik Andersen produced EUR18.8 billion of 2025 revenue and a 5.7% EBIT margin while restoring wind profitability and funding EUR1.25 billion of investment and a EUR150 million buyback; its [2025 results release](https://www.vestas.com/en/media/company-news/2026/vestas-annual-report-2025---generating-value-amidst-gro-c4302973) supplies a wind-specific comparison. Mitsubishi Heavy Industries offers deep project execution and governance continuity, but current CEO Eisaku Ito only began in April 2025, limiting five-year personal attribution. Bruch/Ferraro compare favorably with Vestas on group diversification and margin recovery, but trail GE Vernova on explicit per-share capital discipline.

Final gate: YELLOW. Leadership quality, candor, core-segment execution, bank-guarantee normalization, and two-tier oversight are adequate for continued underwriting. The gate does not pass because Gamesa's acquisition economics and cash turnaround remain unproven, contract advances inflate present liquidity, cumulative dilution is material, beneficial-ownership compliance is not demonstrated, remuneration omits ROIC and diluted per-share measures, and TI separation terms are unknown.

Conditions to upgrade to PASS:

- Gamesa achieves FY2026 full-year operating break-even, sustains positive margins, stabilizes or rebuilds backlog without sacrificing price, and reaches cash break-even by FY2028 without new major quality provisions, equity issuance, or state-backed support.
- Siemens Energy converts contract-liability-funded backlog into delivered earnings while remaining cash-generative after advance normalization; quarterly disclosure clearly bridges underlying cash earnings, advances, provisions, and delivery unwind.
- The TI transaction discloses stand-alone economics, valuation, separation costs, related-party arrangements, retained-stake governance, and minority safeguards; proceeds are allocated against explicit return hurdles.
- Repurchases more than offset employee-plan issuance and reduce the fully diluted share count; no material acquisition-linked or rescue-linked equity is issued.
- Remuneration adds ROIC/economic-profit, cumulative per-share cash flow, diluted EPS, and Gamesa cash/quality metrics, while the company discloses actual beneficial ownership versus share-ownership guidelines.

Conditions to downgrade to FAIL: renewed Gamesa charges or provisions above EUR1 billion; a material slip in the FY2028 cash target without a credible and funded recovery path; new emergency equity or government guarantee support; opaque or value-leaking TI terms; a material guidance-credibility break around advances or provisions; recurrence of antitrust/control failures; or serial dilution while buybacks primarily recycle shares into compensation.

On current evidence, the appropriate posture is to keep management under active, milestone-based review. The leadership team has repaired much of the operating and financing damage, but the next two years must prove that the repair converts into durable, per-share owner value.

Principal source note

The assessment used live Financial Modeling Prep statements and transcript endpoints, Siemens Energy's FY2025 annual report and remuneration disclosures, official quarterly earnings releases, governance and capital-stock materials, management biographies, AGM results, and official transaction releases. No local financial-data warehouse, transcript cache, or stale proxy source was used. Unless otherwise stated, monetary figures are euros and segment profit is **profit before Special Items**, the company's consistently disclosed management metric.

Appendix W - Moat and 2046 Durability

Siemens Energy — Moat and 2046 Durability

Ticker: ENR.DE **Assessment date:** 2026-09-11 **Financial anchor:** TTM ended 2026-06-30 **Twenty-year test date:** 2046-09-11 **Run ID:** `pulse-cio-20260911T040231+0800` **Trade execution authorized:** `false`

Evidence boundary

This appendix uses the DR-verified `data_package.md` for financial and segment facts, the primer only for orientation, all four independently reviewed segment appendices for detailed competitive and forecast evidence, and live primary-company and peer evidence for context. Siemens Energy does not provide a U.S. 10-K; its [FY2025 Annual Report](https://assets.siemens-energy.com/dam/32b27e9a-af91-4915-8b51-b3af012d0d98/A-Siemens_Energy_Annual_Report_2025-pdf_Original%20file.pdf), official quarterly releases and investor materials are the controlling issuer sources. The evidence has a hard limit: the current four-segment taxonomy was introduced in FY2023 with FY2022 recast, so there is no honest ten-year segment-margin series.

1. Moat taxonomy applied

Network effects — absent. A utility gains no direct benefit because another utility bought a Siemens Energy turbine or transformer. Fleet scale improves engineering feedback, spare-parts economics and service coverage, but that is a learning and density advantage, not a user network effect. Digital fleet data can reinforce diagnostics, yet customers can still procure new projects from GE Vernova, Mitsubishi Power, Hitachi Energy, ABB, Vestas or Chinese vendors. No segment should be awarded a network-effect moat.

Switching costs — strong in Gas Services, moderate in installed Grid and wind assets, mixed elsewhere. A turbine owner prioritizes availability and heat-rate performance; changing the OEM that supplies hot-gas-path parts, controls, outage engineering and upgrades introduces validation, insurance and failure risk. Siemens Energy says service contracts are typically higher margin, aims to extend asset lives through modernization, and combines new gas units with long-term service agreements. Its [gas-turbine portfolio page](https://www.siemens-energy.com/global/en/home/products-services/product-offerings/gas-turbines.html) cites more than 7,000 gas turbines in over 60 countries; FY2025 Service revenue was 66% of Gas external revenue and grew at a 9.8% FY2023–FY2025 CAGR. That is the clearest durable profit pool. Grid equipment creates switching friction through protection systems, documentation and operator training, but Service was only 5.7% of Grid's FY2025 disclosed New Units-plus-Service revenue, so most current profit is not captive aftermarket. Gamesa's roughly 150 GW service base is valuable, but warranty and availability obligations can reverse its economics. TI has real switching costs in compressors and industrial rotating equipment; electrolyzers and transactional automation have less.

Scale economies — real, but capacity scarcity must not be confused with permanence. Siemens Energy can spread turbine R&D, test facilities, field engineers, sourcing, cyber controls and bid governance over a global installed base. It can also support the performance guarantees and multi-country execution required for projects worth hundreds of millions of euros. In Grid Technologies, a global factory network and more than 70 referenced HVDC/onshore-offshore projects provide meaningful experience. However, today's attractive slot economics are partly cyclical. Siemens Energy plans roughly 50% increases in power-transformer and gas-insulated-switchgear capacity by FY2030; peers are doing the same. Hitachi Energy is expanding [large-transformer capacity by 40% in Sweden](https://www.hitachienergy.com/uk-ie/en/news-and-events/features/2025/11/hitachi-energy-celebrates-the-start-of-construction-of-the-transformer-factory-expansion-in-ludvika-sweden) and nearly tripling a Canadian site. As those investments commission, lead times and pricing can normalize. The structural moat is qualified engineering plus execution at scale; the temporary benefit is too few qualified factories.

Brand — relevant as bankability and trust, not consumer preference. Utilities and infrastructure sponsors need reference plants, predictable performance and a counterparty able to honor twenty-year obligations. Siemens Energy's name, installed fleet and long history lower perceived project and financing risk, especially in large gas turbines, HVDC and offshore connections. Yet brand can be destroyed by reliability failures: the Siemens Gamesa 4.X/5.X issues show that engineering trust is earned platform by platform. Brand therefore reinforces qualification in Gas and Grid but is not an independent moat for Gamesa.

Regulatory and qualification barriers — high in critical products, not exclusive licenses. Siemens Energy does not own a regulated monopoly. Its advantage comes from meeting grid codes, emissions rules, nuclear-quality or utility vendor

requirements, completing type and factory tests, qualifying suppliers, and proving safe operation under country-specific standards. Customer-specific HVDC, converter transformers and gas turbines cannot be substituted like catalog components after award. Qualification cycles and reference requirements deter entrants, but incumbents such as GE Vernova, Mitsubishi, Hitachi Energy and ABB already possess them; local-content rules can also favor new regional capacity.

IP, process know-how and data — moderate to strong, but patents alone are not the case. The defensible knowledge lies in combustion, cooling, materials, rotor dynamics, grid-forming controls, high-voltage insulation, converter engineering, failure diagnosis, factory process control and installed-fleet operating data. Siemens Energy's 2007 introduction of modular-multilevel-converter HVDC Plus and decades of turbine field hours are credible learning assets. Still, the annual report does not quantify a patent wall, and leading peers have parallel technology stacks. IP helps keep the credible supplier set small; it does not eliminate price competition or execution risk.

High-trust procurement and long-cycle contracting — strong, but double-edged. Tender prequalification, engineering studies, bank guarantees, milestone acceptance and references narrow the vendor set. Backlog reached EUR 162 billion at Q3 FY2026, and contract liabilities reached EUR 28.1 billion, evidence that customers reserve scarce capacity and finance execution in advance. This protects visibility, not economics: fixed-price scope, liquidated damages, inflation, supplier failure or a serial defect can turn backlog into a liability. The moat is the ability to qualify and deliver repeatedly, not backlog size by itself.

2. Per-segment moat and failure signs

Gas Services (31% of FY2025 group revenue): strongest moat; 10–20-year durability. The attacker's problem is not designing one competitive turbine. It is demonstrating fleet reliability, building a global service organization, stocking critical parts, earning utility references and accepting long-duration performance obligations. Siemens Energy's 60% TTM external-service mix and the 66% FY2025 service share indicate that installed-base monetization is already economically important. Its moat should persist for the operating life of existing fleets and can renew as new units seed future service. It breaks if customers migrate service to non-OEMs, new frames underperform, service attachment weakens, or gas generation loses dispatch hours before hydrogen/CCUS economics mature. Earliest signs: service revenue growing below the fleet, shrinking service order share, adverse fleet-reliability disclosures, or order pricing weakening after capacity expansion.

Grid Technologies (29%): strong qualification/execution franchise, but only 5–10 years proven at today's margins. The moat is strongest in HVDC and integrated solutions, where references, software, scarce engineers, interface management and bankability constrain awards; it is narrower in transformers and switchgear once a rival product is qualified. Siemens Energy's [Grid Technologies presentation](https://assets.siemens-energy.com/dam/29130684-1697-4d17-8bf3-b0c100778d3a/2023-11-21-CMD-GT-final-pdf_Original%20file.pdf) cites leading positions and more than 70 delivered HVDC/onshore-offshore projects. The EUR 51 billion backlog is about four times TTM revenue, but margin expanded from 3.5% in FY2022 to 17.4% TTM; that speed points to repricing, mix and utilization as well as moat. The reviewed segment base case normalizes 2031 margin to 17.1% and bear to 14.0%, making higher liquidated damages, book-to-bill below one, advance-payment runoff or margin below 14% despite healthy demand the sharper failure signs.

Transformation of Industry (15%): a collection of narrow installed-base advantages, not one coherent wide moat; 5–10 years. Compression and industrial steam-turbine service have OEM-specific parts, domain know-how and reliability switching costs. Electrification/automation faces larger platform incumbents and open protocols; electrolyzers face technology, overcapacity and subsidy uncertainty. FY2025 sub-business margins ranged from negative 21.9% in Sustainable Energy Systems to 13.7% in Compression and industrial turbines. The reviewed base case reaches only a 12.8% 2031 margin after EUR 80 million of recurring standalone overhead. Separation therefore tests customer continuity, guarantee and collateral capacity, purchasing scale and talent. Earliest erosion signs are service weakness, higher guarantee costs, stranded overhead, lost compressor awards or persistent SES losses.

Siemens Gamesa (27%): service capability exists, but new-unit economics have not demonstrated a moat; 5-year repair case, not yet a 20-year franchise. Offshore engineering, manufacturing scale and service infrastructure are real barriers. Yet FY2022–FY2025 margins were negative every year, including negative 47.8% in FY2023, while FY2025 warranty plus onerous-contract provisions remained EUR 3.46 billion. Positive 2.7% Q3 FY2026 profit before special items is not cycle proof: backlog fell from EUR 36 billion to EUR 31 billion, trailing orders covered only 0.44 times revenue, and 9M FY2026 free cash flow pre tax was negative EUR 1.72 billion. [Vestas' FY2025 report](https://www.vestas.com/content/dam/vestas-com/global/en/investor/reports-and-presentations/financial/2025/fy-2025/Vestas%20Annual%20Report%202025.pdf.coredownload.inline.pdf) confirms that service scale is not exclusive. A new defect, provision top-up, cash failure or continued under-booking would break the recovery early.

The blended moat is materially weaker than Gas Services alone. Gas, Grid and TI generated EUR 4.93 billion of TTM segment profit before special items, while Gamesa lost EUR 0.32 billion. Roughly one quarter of revenue still comes from a segment whose equipment economics destroyed value across the available comparable history. Investors own that blend until Gamesa earns through-cycle returns or the perimeter changes.

3. Margin persistence evidence

Margin evidence	FY2021	FY2022	FY2023	FY2024	FY2025	TTM to Jun-26
Consolidated statutory operating margin	-1.3%	-2.0%	-10.5%	6.2%	5.5%	9.1%
Gas Services profit-before-SI margin	n/c	6.5%	9.5%	9.5%	13.0%	14.7%
Grid Technologies profit-before-SI margin	n/c	3.5%	7.5%	10.5%	15.8%	17.4%
Transformation of Industry profit-before-SI margin	n/c	1.1%	5.1%	7.4%	11.3%	12.3%
Siemens Gamesa profit-before-SI margin	n/c	-6.3%	-47.8%	-17.8%	-13.1%	-3.1%

The evidence supports a durable Gas service franchise more convincingly than a durable group margin. Gas margins improved and then accelerated; Grid and TI expanded every year, but neither has yet been tested after competitors' new capacity arrives or demand cools. The consolidated record includes three loss years and one severe Gamesa collapse. TTM strength is aided by improved-price backlog, factory utilization, a narrowing wind loss and unusually strong customer advances. It is not a ten-year demonstration of stable high returns. The correct inference is “structural franchises with improving execution,” not “proven 15% group margins through cycle.”

4. AI disruption stress test

None of the four segments is primarily a prompt-to-output workflow. Their chokepoints are physical equipment, factories, testing, field references, qualified people, safety responsibility and performance guarantees. AI therefore changes productivity and uptime economics more than competitive boundaries.

In **Gas Services**, AI can accelerate combustion design, predict failures, optimize outages and make non-OEM diagnostics better. Siemens Energy benefits if its proprietary fleet data and parts access let it turn analytics into verified maintenance actions; it is threatened if open sensors and independent service firms commoditize diagnosis. In **Grid Technologies**, AI can forecast load, detect faults and operate digital twins, but it cannot manufacture a 484-ton converter transformer, commission an HVDC terminal or assume grid-code liability. Siemens Energy already markets [AI-enabled predictive maintenance and digital
twins](https://www.siemens-energy.com/global/en/home/energy-transition/strategies/grid-modernization-expansion.html); these tools raise asset value but do not protect the hardware alone. In **TI**, automation and diagnostic software are the most exposed workflows because customers may buy interoperable controls and third-party analytics. Compression and turbine service remain protected by physical installed-base knowledge. In **Gamesa**, AI can improve wind forecasting, predictive maintenance and design, but the binding issue is reliable blades, gearboxes, factories and field execution. Siemens Gamesa cites more than 29,500 monitored units and twenty years of vibration data, which may strengthen diagnostics, yet historic defects prove that data does not substitute for product maturity.

The segment most exposed to AI-enabled commoditization is TI's electrification/automation/digital layer. The most protected is Gas Services' safety-critical OEM service franchise, followed by Grid's custom high-voltage systems. AI is an enabling productivity tool and possible service differentiator, not a hand-wave moat: if peers access comparable sensor data and models, value stays with qualified equipment, parts, warranties and accountability.

5. The 2046 test

Base description as of 2046-09-11. Siemens Energy sells dispatchable-power conversion and lifecycle service, long-distance and grid-stabilization systems, and wind-fleet service to utilities, grid operators, independent generators, industrial operators and large digital-infrastructure owners. Gas Services is smaller in fossil-only new builds but still earns high returns from a large global fleet, efficiency upgrades, flexible-fuel combustion, carbon-capture integration, synchronous/rotating equipment and long-term service. Grid Technologies is the largest profit pool, supplying multi-terminal HVDC, power electronics, transformers, switchgear, grid-forming controls, storage integration and cyber-secure lifecycle

service. TI has likely been deconsolidated; any retained interest centers on compression and industrial rotating-equipment service, while commodity electrolyzers have withered or consolidated. Siemens Gamesa survives only if it has standardized a few reliable platforms; its durable value is service and repowering more than chasing every new-unit auction. Directionally, group operating margin is higher than FY2025's 5.5% and nearer low double digits, because wind losses no longer consume Gas/Grid profit and service is a larger share. Customers still pay Siemens Energy because twenty-year asset histories, qualified designs, scarce high-voltage and rotating-equipment capability, field service density and the willingness to guarantee mission-critical performance remain valuable.

That future is specific and plausible, but not proven. Gas turbines installed in the 2020s–2030s can still require service in 2046, while electrification and replacement make Grid structurally relevant. The weak link is renewal: a legacy installed base can run off, and today's Grid scarcity price can fade even if demand remains strong.

Bear description. By 2046, gas-turbine new-unit demand has contracted faster than hydrogen/CCUS service opportunities emerged; independent service firms and modular power electronics captured more aftermarket value. Grid hardware became more standardized as Asian suppliers localized factories and utilities required interoperability, reducing incumbent margins. Gamesa suffered another platform defect, lost bankability and retained only a subscale service book. TI separation created stranded costs and removed profitable industrial service earnings. Siemens Energy remains a necessary equipment supplier but earns mid-single-digit margins and cycle-average returns rather than compounder returns. This bear mechanism is not AI disintermediation; it is commoditization, capacity overbuild, decarbonization mix shift and recurring execution failure. I assign it meaningful rather than remote plausibility because the present margin record includes severe wind losses and Grid competitors are visibly expanding capacity.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
Qualified industry capacity catches up	Hitachi, GE Vernova, ABB and Asian suppliers expand factories, shorten lead times and compete away slot premiums	Grid; Gas new units	Book-to-bill below 1, weaker backlog-margin commentary, falling advances, margin declines despite volume	High over 5–10 years
Reliability or project-execution relapse	Serial defects, supplier failures, cost overruns or liquidated damages overwhelm pricing and trust	Gamesa; Grid solutions; Gas new frames	New warranty top-ups, provision stock rises, quality cash out persists, project charges or guarantee tightening	High for Gamesa; medium elsewhere
Energy and localization policy reset	Faster gas displacement, wind-auction weakness, subsidies/tariffs/local-content rules fragment volumes and supply chains	Gas; Gamesa; TI hydrogen; Grid	Gas cancellations, SG backlog keeps shrinking, electrolyzer losses persist, localized competitors win tenders	Medium-high

7. Pricing power verification

Pricing power is observable but incompletely measured. The annual report says Siemens Energy inserts price-adjustment clauses in sales agreements, and Gamesa's reset added raw-material clauses, selective bidding and higher margin requirements. Management repeatedly attributes current Gas and Grid profitability to improved margin quality in processed backlog. The realized evidence is strong: FY2022-to-TTM margin increased about 8 percentage points in Gas and 14 points in Grid despite inflation, while backlog grew rather than collapsed. Customer advances and slot reservations also indicate willingness to commit before delivery.

However, Siemens Energy does not disclose turbine ASPs, transformer pricing, backlog gross margin, cancellation rates, capacity utilization, service renewal, churn, price realization or adoption after increases. There is no quantitative proof that customers accepted a specific price rise without lost volume. Gross margin by segment is unavailable, and stronger utilization/product mix contributed to profit. Long-term service can include availability risk, so contractual recurrence is not pure pricing power. Grid's current margin is especially vulnerable to supply normalization; peers' multibillion-dollar expansions are direct evidence that scarcity will attract capacity. Pricing power should therefore be rated **strong but cycle-sensitive in Gas service, currently strong but unproven through capacity normalization in Grid, moderate in mature TI service, and weak/unproven in Gamesa new units**.

8. Moat verdict and monitor conditions

Moat gate: YELLOW. Siemens Energy owns genuine, specific structural advantages in Gas Services' installed base and in Grid Technologies' qualification, engineering and execution system. Those profit pools are not easily replicated, but the available record does not separate permanent moat from temporary scarcity at Grid, and approximately one quarter of revenue remains in a wind segment with a destructive margin and warranty history. The group has not shown a ten-year stable operating margin, so PASS would overstate the evidence.

2046 test: YELLOW. A credible 2046 company can be described: a high-voltage grid systems and dispatchable-power lifecycle specialist with larger service mix, a deconsolidated TI and a repaired or smaller wind franchise. The test does not FAIL because identifiable customers will still need qualified physical systems and lifecycle accountability. It does not PASS because gas fleet renewal, Grid margin normalization and Gamesa reliability remain unresolved durability questions.

Upgrade both gates to PASS only if (1) Gas Service maintains high-single-digit growth and segment margin of at least 16% after the turbine capacity ramp, (2) Grid holds at least a 14% margin with sound cash conversion as peer capacity commissions, and (3) Gamesa delivers eight positive profit-and-cash-flow quarters, order intake above 0.8 times revenue, and provision decline without material top-ups. TI separation must preserve customers and guarantee access while containing recurring standalone and parent stranded costs. Downgrade to FAIL if Gas service attachment or non-OEM share visibly deteriorates, Grid falls below 14% despite healthy demand, TI loses critical service or guarantee capacity, or Gamesa reports a new material defect, persistent under-booking or sustained negative cash generation.

Appendix B1 - Grid Technologies

Grid Technologies — Segment Deep Dive

Run ID: `pulse-cio-20260911T040231+0800` Mode: Production Information cutoff: 2026-09-11 TTM anchor: 2026-06-30 Terminal horizon: 2031-06-30, exactly five calendar years Reporting currency: EUR billions unless stated otherwise Trade execution authorized: `false`

0. Segment boundary and taxonomy note

Grid Technologies is one of Siemens Energy's three IFRS reportable segments. Its current boundary began on October 1, 2022, when the former Gas and Power segment was divided into Gas Services, Grid Technologies, and Transformation of Industry. FY2022 was recast into the current structure in the FY2023 annual report; FY2021 was not. Accordingly, this appendix uses FY2022 onward for segment comparisons and does not splice legacy Gas and Power figures into Grid Technologies. From FY2023 through the latest complete Q3 FY2026 period, the reportable-segment boundary is stable. The company's references to the Grid Technologies `product` and `solutions` businesses are management operating descriptors, whereas the formal external-revenue disaggregation is `New Units` and `Service`; those taxonomies are not interchangeable. All historical numbers below come only from `data_package.md` and the sealed statutory bridge. The exact profit metric is **Profit before Special Items**.

1. What this segment actually is

Grid Technologies supplies the equipment and engineered systems that move, transform, switch, stabilize, and increasingly digitize electricity. Its customers are primarily transmission system operators, utilities, independent grid developers, renewable and conventional generators, infrastructure owners, and large industrial or data-center users. The segment spans power transformers, gas-insulated and air-insulated switchgear, high-voltage direct-current transmission, flexible AC transmission and grid-stabilization equipment, substations, grid-access packages, energy-storage integration, control and protection software, consulting, upgrades, and lifecycle service. The data package describes the segment as grid components and turnkey systems including transformers, switchgear, HVDC, storage, digital grid, and service [data_package §1, Grid Technologies row].

The economic distinction between **Products** and **Solutions** matters. Products are repeatable physical platforms and components: transformers, switchgear, bushings, breakers, and related manufactured assemblies. They are engineered to order, but factory throughput, standardized designs, procurement, and testing discipline dominate the cost curve. Solutions combine equipment, civil works, engineering, system integration, project management, controls, and often third-party components into a customer outcome such as an HVDC link, offshore-grid connection, or turnkey substation. Solutions can be much larger and longer duration, with revenue recognized against milestones and with more exposure to project timing, permitting, subcontractors, scope change, liquidated damages, and working-capital swings. Service is smaller in disclosed revenue but strategically attractive because the installed base requires maintenance, refurbishment, diagnostics, spare parts, and modernization over decades.

Pricing is mainly contractual rather than subscription based. Product orders lock a specification, delivery slot, price, and escalation mechanics; solution contracts add milestone billing, performance obligations, and sometimes consortium risk. In a capacity-constrained market, access to scarce production and engineering slots becomes part of the value proposition. That allows leading suppliers to insist on better commercial terms, raw-material pass-through clauses, customer advances, and more selective bidding. The reverse is also true: as capacity catches up, utilities can regain negotiating leverage, particularly for standardized equipment. The segment's go-to-market is therefore less about a broad sales funnel and more about qualification with utilities, reference projects, tender positioning, technical design, local-content compliance, bank guarantees, and confidence that a supplier can deliver a highly customized asset many years later.

The €51bn order backlog at Q3 FY2026 is central to the next five years, but it is not equivalent to risk-free revenue. It is about four times the €12.890bn verified TTM revenue anchor. Management said roughly €12bn of backlog was expected to become FY2026 revenue, showing strong near-term coverage [data_package §6, Grid Technologies row 8]. Yet an HVDC or turnkey-solution order can span multiple years; execution consumes engineering hours and scarce factory slots, and cash collected in advance finances future obligations. The investment question is therefore not whether grid demand exists. It is whether Siemens Energy can convert that demand into completed, high-quality revenue while protecting a normalized margin after industry capacity expands.

2. Current economics

FY2025 Grid Technologies revenue was €11.305bn, up 21.8%, and Profit before Special Items was €1.791bn, a 15.8% margin [data_package §3, Grid Technologies table]. The latest four reported quarters — Q4 FY2025 through Q3 FY2026 — sum to the verified TTM revenue anchor of €12.890bn [data_package §5, Grid Technologies quarterly table]. The sealed statutory bridge reports TTM Profit before Special Items of €2.247bn, giving a 17.43% TTM margin [data_package §3a, TTM bridge, Grid Technologies row]. Quarterly comparable revenue growth ranged from 12.3% to 28.6%, and quarterly margins ranged from 14.7% to 19.9%; the latest Q3 achieved both the strongest growth and highest margin of those four quarters. Backlog rose from €42bn at FY2025 to €51bn at Q3 FY2026, even after substantial delivery.

The finest historical product-dollar disclosure is the statutory `New Units` and `Service` split, not Products versus Solutions. FY2025 external revenue was €10.424bn for New Units and €0.625bn for Service [data_package §4, Grid Technologies rows]. These sum to €11.049bn, below segment revenue because the segment total includes intersegment revenue and because external-revenue presentation follows a different reconciliation. Service was 5.7% of those two disclosed external-revenue categories, while New Units was 94.3%. Transformer, switchgear, HVDC, and service-by-platform revenue are true non-disclosures. No such product dollars are invented here.

Capital intensity is rising but remains modest relative to revenue on the accounting measure disclosed. Grid Technologies additions to property, plant, equipment, and intangibles were €87m in FY2022, €142m in FY2023, €197m in FY2024, and €242m in FY2025 [data_package §0a, Segment capital KPI table]. FY2025 additions were about 2.1% of segment revenue. That ratio understates the full economic reinvestment burden because group R&D, shared sites, advance-funded working capital, engineering recruitment, supplier tooling, and guarantee capacity are not all captured in the segment additions line. Management targets roughly 50% increases in both power-transformer GVA capacity and gas-insulated-switchgear unit capacity by FY2030 [data_package §4, Grid product capacity row]. The model therefore does not treat current margins as a free-capacity annuity.

Grid Technologies had negative €386m of segment operating assets at FY2025, down from positive €3.128bn in recast FY2022 [data_package §0a, Grid Technologies assets row]. This is not negative enterprise value or an asset-light software business. Siemens Energy's segment-asset definition deducts interest-free liabilities and customer advances; the negative balance reflects favorable funding. Group contract liabilities reached €28.071bn at Q3 FY2026, up €5.750bn from FY2025, and management identified Gas and Grid customer payments as contributors [data_package §8, contract-liability table and cash-quality discussion]. The amount attributable to Grid Technologies is not disclosed. This appendix therefore treats advances as a working-capital benefit and execution obligation, not as segment profit or permanently distributable cash.

3. Unit economics: how revenue becomes Profit before Special Items

Products

Product economics begin with booked price and factory slot utilization. Power transformers and high-voltage switchgear consume grain-oriented electrical steel, copper, insulation, bushings, tap changers, power electronics, skilled labor, specialized winding and test equipment, and logistics for extraordinarily large components. The fixed-cost base includes factories, test halls, engineering, certification, quality systems, and field commissioning. When a plant is underloaded, these costs depress margin; when demand fills the lines, volume and learning leverage are powerful. Price realization matters with a lag because today's deliveries often reflect orders bid several years earlier. The data package's repeated reference to the `improved margin profile of the processed order backlog` is economically important: it indicates that the orders now passing through revenue were selected and priced better than the legacy book [data_package §6, Grid Technologies row 3].

Product margins can rise through four mechanisms: better booked price, contractual raw-material escalation, higher throughput on existing fixed assets, and mix toward scarce high-voltage equipment. They can fall when copper or electrical steel costs move faster than pass-through clauses, supplier bottlenecks interrupt the factory, local-content rules force duplicate or initially inefficient capacity, warranty or rework emerges, or newly added lines operate below mature yields. The U.S. Department of Energy notes that grain-oriented electrical steel and continuously transposed copper wire each account for roughly one-quarter of large-transformer production cost, illustrating the material concentration risk ([DOE Large Power Transformer Resilience Report](https://www.energy.gov/sites/default/files/2024-10/EXEC-2022-001242%20-%20Large%20Power%20Transformer%20Resilience%20Report%20signed%20by%20Secretary%20Granholm%20on%207-10-24.pdf)).

Solutions

Solutions revenue is converted to profit through disciplined tendering, engineering productivity, milestone execution, procurement, and control of interface risk. An HVDC project combines converter stations, valves, power electronics, transformers, controls, cables sourced from partners, civil works, and long commissioning sequences. The supplier can earn attractive margins for systems expertise and risk transfer, but a small engineering error or site delay can contaminate a very large contract. Solutions growth is also lumpy: management said the substantial increase in solutions drove Q1 FY2026, while product led other quarters [data_package §4, Grid directional narrative]. That variability makes a single quarter a poor forecast base.

The best solution contracts have clear scope, customer-funded milestones, indexation, balanced consortium responsibilities, and tested architectures. The worst combine a fixed price with uncertain permitting, a thin local supplier pool, novel engineering, and schedule penalties. Capacity in solutions is not only steel and factory floor space; it is experienced project managers, grid studies, software engineers, commissioning crews, and the bank-guarantee headroom required by utilities. These human and financial constraints are slower to replicate than a generic assembly line and are a real barrier to entry. They also impose reinvestment: hiring ahead of revenue and training scarce specialists can temporarily dilute margins.

Service

Service monetizes the installed base through inspection, maintenance, replacement components, upgrades, diagnostics, digital monitoring, and life extension. Its revenue is smaller than product and solutions revenue, but it is less dependent on new-grid project awards and can carry higher gross margin because supplier knowledge, proprietary parts, and outage risk matter. Service also creates a feedback loop into product quality and future tenders. The historic service series grew from €460m in FY2023 to €625m in FY2025, a 16.6% two-interval CAGR, while New Units grew faster from €6.492bn to €10.424bn [data_package §4, Grid rows]. That means today's mix is unusually equipment heavy; a slowly rising service share can cushion eventual product-cycle normalization.

Reinvestment and cash conversion

Profit before Special Items excludes special items but is not cash. A high-margin backlog can generate cash before revenue if customers pay reservation or milestone advances. During delivery, inventories, supplier payments, receivables, guarantees, and retention balances can absorb that cash. The model therefore distinguishes operating margin from working capital. Base case assumes the backlog remains replenished enough that advances broadly fund growth but cease to be a large incremental source by the terminal year. Bull assumes continued scarce-slot payments and disciplined milestones, supporting cash conversion. Bear assumes slower order replenishment after capacity expands, so contract liabilities normalize while delivery continues; cash conversion can then lag accounting profit even if revenue still grows.

The group contract-liability disclosure is not allocated to Grid Technologies. Any attempt to assign a fixed share of the €28.071bn group balance to this segment would be invented. The model uses working-capital direction, not a fabricated segment cash figure. Likewise, the negative segment operating-asset balance is not used to claim infinite return on capital. A sensible economic return measure would add back advance financing and allocate shared engineering and guarantee capital, but the data package does not provide enough segment detail to do that reliably.

4. Competitive dynamics

The direct high-voltage and grid-systems peer set includes Hitachi Energy, GE Vernova's Electrification segment, Mitsubishi Electric and its power-electronics affiliates, Toshiba, and a set of Chinese manufacturers including TBEA and China XD. In lower-voltage distribution, automation, and electrification, Schneider Electric, Eaton, ABB, and regional specialists also compete, although their portfolios do not map perfectly to Siemens Energy's high-voltage and HVDC mix. Cable companies can be partners in one HVDC consortium and competitors for project control in another. Utilities usually dual-source where qualification and capacity permit, limiting permanent supplier lock-in.

Hitachi Energy is the clearest global-scale competitor. It calls itself the world's largest transformer manufacturer, reports more than 60 transformer factories and 30 service centers, and cites more than 150 GW of HVDC links integrated into power systems. It announced a $6bn investment program, including $1.5bn for transformer production, followed by an additional $250m for transformer components through 2027 ([Hitachi Energy capacity announcement](https://www.hitachienergy.com/news-and-events/press-releases/2025/03/hitachi-energy-invests-additional-250-million-usd-to-address-global-transformer-shortage)). This validates demand but also demonstrates that scarcity rents attract capacity. It would be unsafe to assume Siemens Energy's current price umbrella persists unchanged through 2031.

GE Vernova is also scaling aggressively. Its 2025 annual report says Electrification equipment backlog reached $35bn after more than quadrupling in four years and that the company expects it to double again by 2028. GE also emphasizes factory automation, lean operations, and direct equipment sales to data centers ([GE Vernova 2025 Annual Report](https://www.gevernova.com/sites/default/files/gevernova_2025_annual_report.pdf)). These disclosures provide a useful comparable path: a major peer also sees several years of double-digit grid growth, but it is investing to expand throughput and margin. The peer evidence supports a strong first half of the forecast and argues against extrapolating 25%-plus growth for five years.

Market share is difficult to state responsibly because the relevant markets differ by voltage, product, geography, and consortium scope. The data package provides no Siemens Energy share, and no sufficiently comparable current global revenue denominator was verified. **[DATA GAP: current Grid Technologies market share by transformer, switchgear, and HVDC category is not disclosed in the data package.]** Rather than cite a consultant's broad market estimate with mismatched definitions, this appendix uses backlog, qualification, capacity plans, and reference-project capability as evidence of competitive position. The absence of a share figure reduces confidence in claims that growth is share gain rather than market growth.

Pricing power is strongest where delivery slots, qualification, performance guarantees, and system integration are scarce. The U.S. DOE reports that distribution-transformer demand had risen 41% since 2019 and that 2024 lead times reached one to two years or longer; large transformer lead times extended to three or four years ([DOE transformer webinar](https://www.energy.gov/oe/distribution-transformer-webinar-text-alternative)). Long lead times allow suppliers to reprice and select orders. However, procurement remains sophisticated and concentrated: major utilities can stagger tenders, standardize designs, qualify new regional competitors, or require cost transparency. The durability of pricing is therefore a function of backlog discipline and capacity utilization, not a permanent brand premium.

Entry barriers are substantial but not absolute. A new high-voltage supplier needs certified designs, specialized factories and test bays, access to scarce materials, skilled labor, insurer and bank support, local service, and a reference record that utilities trust. DOE estimates a new transformer factory can take one to three years, while specialized winding and core equipment can itself take one to two years to obtain. Yet incumbents and state-supported competitors can expand, and customers can redesign specifications. Over five years, new capacity is a certainty; the question is whether industry demand absorbs it.

Substitution risk is low at the function level: an electrified economy still needs transformation, switching, protection, and transmission. Technology substitution exists within the portfolio. Alternative converter topologies, higher-voltage platforms, power-electronics advances, modular substations, grid-enhancing technologies, storage, and software can shift value pools. Direct-current projects can be delayed by permitting or cables even when converter demand is strong. Digital grid optimization may defer some physical capital, while simultaneously increasing demand for controls and power electronics. Siemens Energy must keep the portfolio current; installed designs and references protect incumbents, but they do not eliminate innovation risk.

5. Segment-level moat and durability

Grid Technologies has a **real but cycle-sensitive moat**. The strongest protection sits in HVDC and complex solutions: engineering know-how, software and controls, qualification, system-level references, interface management, bankability, and the ability to guarantee performance on multi-billion-euro projects. Utilities cannot prudently award a mission-critical interconnector solely to the lowest bidder. A record of delivery, established converter technology, and experienced commissioning teams narrows the eligible field. The moat is reinforced by customer switching cost after installation, because upgrades, spares, diagnostics, and service benefit from original-equipment knowledge.

The transformer and switchgear moat is narrower. High-voltage products require specialized equipment, testing, material procurement, and utility approvals, but a qualified competing product can satisfy the same function. Scarce capacity creates temporary pricing power; it is not a 20-year structural moat by itself. Hitachi Energy's investment and GE Vernova's backlog-led expansion show that competitors are responding. Siemens Energy's roughly 50% targeted capacity increase can protect share and reduce lead times, but the entire industry is adding supply. By 2031, returns depend more on factory productivity, product reliability, and tender selectivity than on today's shortage.

Service adds a durable installed-base layer, though at only about 5.7% of the FY2025 disclosed New Units-plus-Service external-revenue pool it is not yet large enough to dominate economics. The opportunity is to attach long-lived service, monitoring, upgrades, and replacement components to the growing equipment base. That can lower earnings volatility and extend customer relationships. The risk is that utilities retain maintenance capabilities, require interoperable parts, or pressure

suppliers to open digital interfaces. Service is thus a supporting moat rather than a standalone reason to accept any valuation.

Local presence is both moat and burden. Governments increasingly view grid equipment as strategic infrastructure. U.S. Build America, Buy America guidance uses a greater-than-55% domestic component-cost test for manufactured products in covered federally funded infrastructure ([OMB implementation guidance](https://www.whitehouse.gov/wp-content/uploads/2023/10/m-24-02-Buy-America-Implementation-Guidance-Update.pdf)). The EU's Net-Zero Industry Act applies sustainability, delivery, cybersecurity, and resilience considerations to covered electricity-grid technology procurement ([European Commission public procurement note](https://public-buyers-community.ec.europa.eu/news/net-zero-industry-act-new-provisions-public-procurement-entered-force-29-june-2024)). An incumbent with local factories and supplier networks can qualify where an importer cannot, but maintaining multiple local footprints raises fixed cost and can dilute scale.

On a five-to-ten-year view, the moat should preserve access to the attractive part of the market, not guarantee today's growth or margins. A reasonable durability verdict is **moderate-to-strong for HVDC and integrated solutions, moderate for large transformers and switchgear, and moderate for service**. The segment's blended moat is stronger than a commodity-equipment business but weaker than a software platform with negligible replication cost. The terminal forecast accordingly normalizes the base Profit before Special Items margin to 17.1%, below the 18%-20% near-term guidance band, while preserving an above-FY2025 outcome because better bidding, mix, and scale should not fully reverse.

6. Historical growth rates reproduced from the data package

The historical table uses only current-boundary years. FY2023 is FY-3, FY2024 is FY-2, and FY2025 is FY-1. The displayed historical CAGR is the annualized change across the two intervals from FY2023 to FY2025; calling it a three-year CAGR would incorrectly imply three compounding intervals. No figure is back-solved.

Product / sub-segment	FY-3 revenue	FY-2 revenue	FY-1 revenue	FY2023-FY2025 CAGR (2 intervals)	Most recent YoY	Data package cite
Grid Technologies total	€7.181bn [data_package §3, Grid revenue row]	€9.280bn [data_package §3, Grid revenue row]	€11.305bn [data_package §3, Grid revenue row]	25.5% [calculated from cited row]	21.8% [data_package §3, Grid YoY row]	data_package §3, Grid Technologies table
New Units	€6.492bn [data_package §4, Grid New Units row]	€8.528bn [data_package §4, Grid New Units row]	€10.424bn [data_package §4, Grid New Units row]	26.7% [calculated from cited row]	22.2% [calculated from cited row]	data_package §4, Grid Technologies New Units row
Service	€0.460bn [data_package §4, Grid Service row]	€0.536bn [data_package §4, Grid Service row]	€0.625bn [data_package §4, Grid Service row]	16.6% [calculated from cited row]	16.6% [calculated from cited row]	data_package §4, Grid Technologies Service row

Arithmetic checks: €7.181bn × 1.292 = €9.278bn, within 0.1% of €9.280bn; €9.280bn × 1.218 = €11.303bn, within 0.1% of €11.305bn. New Units: €6.492bn × 1.3136 = €8.528bn and €8.528bn × 1.2223 = €10.424bn. Service: €0.460bn × 1.1652 = €0.536bn and €0.536bn × 1.1660 = €0.625bn. Every row passes the required 2% tolerance.

The product taxonomy cannot support historical Product and Solutions dollars. Management said product led Q4 FY2025 and Q3 FY2026, solutions led Q1, and switchgear and transformers led Q2, but it did not publish the corresponding revenue amounts [data_package §4, Grid directional narrative]. **[DATA GAP: historical and TTM revenue split between Grid Technologies Products and Solutions is not disclosed; only New Units and Service dollars are available.]** The forward model below creates a clearly labeled analyst decomposition of the verified TTM total solely to expose assumptions; it is not presented as company-reported history.

7. Management guidance from the verified data package

- **Backlog — 2026-08-05 corporate release, unattributed; data_package §6, Grid row 1.** The release said the “order backlog increased to €51bn.” This is roughly four times TTM revenue and supports visibility, but it does not specify cancellation rights, delivery timing, margin, or customer concentration.

- **Capacity — 2026-08-05 corporate release, unattributed; data_package §6, Grid row 2.** The release said “Growth was supported by expanded production capacities.” The forecast therefore ties product growth to physical capacity rather than assuming orders alone become revenue.

- **Margin quality — 2026-08-05 corporate release, unattributed; data_package §6, Grid row 3.** The release cited an “improved margin profile of the processed order backlog.” This supports the FY2026 margin step-up and the idea that recent commercial discipline is reaching the income statement.

- **FY2026 growth — 2026-05-12 corporate release, unattributed; data_package §6, Grid row 4.** The business “plans to achieve a comparable revenue growth of 25% to 27%.” This is a near-term guide from a capacity and backlog catch-up year, not a five-year CAGR.

- **FY2026 margin — 2026-05-12 corporate release, unattributed; data_package §6, Grid row 5.** The release guided to a “Profit margin before Special items between 18% and 20%.” The latest Q3 margin of 19.9% is consistent, while the 17.43% TTM margin still contains a weaker Q4 FY2025.

- **Solutions mix — 2026-02-11 corporate release, unattributed; data_package §6, Grid row 6.** The Q1 release said “The substantial increase in the solutions business was the main driver.” Solutions are lumpy, so this evidence supports a multi-year pipeline but not smooth quarterly conversion.

- **Product mix — 2025-11-13 corporate release, unattributed; data_package §6, Grid row 7.** The Q4 release said the “product business exceeded solutions business.” Combined with the capacity plan, products should be a major conversion engine.

- **Backlog conversion — 2025-11-13 corporate release / AR25 outlook, unattributed; data_package §6, Grid row 8.** The FY2025 outlook said “around €12 billion ... expected to result in revenue” in FY2026. That anchors the first forecast year and indicates that terminal uncertainty is more about post-FY2027 replenishment and capacity than immediate demand.

Two additional data-package anchors constrain the model. Power-transformer GVA capacity and gas-insulated-switchgear unit capacity are each targeted to rise about 50% by FY2030 [data_package §4, Grid product capacity row]. Group backlog coverage is about 95% of expected Q4 FY2026 revenue and about 87% of FY2027 expected revenue, with improving backlog margins across almost all business areas [data_package §4, paragraph below capacity table]. These facts justify a strong early cadence followed by deceleration as the installed capacity base becomes larger.

8. Forward growth assumptions: Products, Solutions, and Service

Forecast-only TTM decomposition

The verified TTM segment anchor is €12.890bn. Because Product and Solutions dollars are not disclosed, the model allocates 55.0% to Products, 39.3% to Solutions, and 5.7% to Service. The 5.7% service share is anchored to the FY2025 disclosed Service share of the New Units-plus-Service external-revenue pool. The Product/Solutions division is an analyst allocation informed only by alternating management statements about which business led quarterly growth; it is not historical fact. Starting Profit before Special Items margins of 19.0%, 14.1%, and 25.3%, respectively, are calibration variables that reproduce the sealed €2.247bn TTM segment profit to rounding. Exact terminal arithmetic uses the unrounded revenue allocations of €7.08950bn, €5.06577bn, and €0.73473bn; displayed tables round those anchors to three decimals. Forecast conclusions are based on the segment rollup, and this allocation should be sensitivity-tested.

Forecast line	TTM analyst-allocated revenue	Share of verified TTM	TTM calibrated margin	TTM calibrated profit	Status
Products	€7.090bn	55.0%	19.0%	€1.347bn	Forecast-only allocation, not disclosed history
Solutions	€5.066bn	39.3%	14.1%	€0.714bn	Forecast-only allocation, not disclosed history
Service	€0.735bn	5.7%	25.3%	€0.186bn	Share anchored to FY2025 disclosure
Segment total	€12.890bn	100.0%	17.43%	€2.247bn	Sealed TTM anchor

Base case growth

Product	Historical CAGR (FY2023-FY2025)	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Products	n/d [data_package §4 taxonomy warning]	Product led Q3 [data_package §4]	Segment 25%-27% [data_package §6 row 4]	10.0%	Transformer and GIS capacity rises about 50% by FY2030; growth decelerates as capacity and peers catch up.
Solutions	n/d [data_package §4 taxonomy warning]	Solutions led Q1 [data_package §4]	Segment 25%-27% [data_package §6 row 4]	11.0%	€51bn backlog supports conversion, but HVDC permitting, engineering, and project timing prevent indefinite current growth.
Service	16.6% [data_package §4 Grid Service row]	16.6% [calculated from same row]	No separate service guide [data_package §6]	9.0%	Installed-base additions sustain growth, moderated below history as the base enlarges.
New Units aggregate	26.7% [data_package §4]	22.2% [calculated from same row]	Segment 25%-27% [data_package §6 row 4]	10.4%	Weighted Products and Solutions result; strong backlog conversion fades toward market growth.
Segment total	25.5% [data_package §3]	21.8% FY2025 [data_package §3]	Segment 25%-27% [data_package §6 row 4]	10.3%	Near-term guide is honored through a front-loaded path, not extrapolated across five years.

The base cadence is deliberately front loaded. An illustrative path that reproduces the tabled CAGRs to within 0.1 basis point has Products decelerating 16%, 12%, 9%, 7%, and 6.29%; Solutions 18%, 14%, 11%, 8%, and 4.49%; and Service 12%, 10%, 9%, 8%, and 6.09%. The tabled constant CAGRs, not rounded annual-path shorthand, control the exact terminal arithmetic. The shape is consistent with management's 25%-27% FY2026 segment guide because the TTM already includes three quarters of FY2026 and because the first forward year is not identical to management's fiscal-year comparison. It also resembles the broad peer logic: GE Vernova expects Electrification backlog to double again by 2028, but simultaneous investment expands industry supply.

Bull case growth

Product	Historical CAGR (FY2023-FY2025)	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Products	n/d [data_package §4 taxonomy warning]	Product led Q3 [data_package §4]	Segment 25%-27% [data_package §6 row 4]	13.0%	Capacity ramp arrives on time, scarce high-voltage slots stay full, and pricing remains disciplined.
Solutions	n/d [data_package §4 taxonomy warning]	Solutions led Q1 [data_package §4]	Segment 25%-27% [data_package §6 row 4]	15.0%	HVDC and offshore-grid awards convert without material permitting or consortium delay.
Service	16.6% [data_package §4 Grid Service row]	16.6% [calculated from same row]	No separate service guide [data_package §6]	12.0%	Attach rates and upgrades compound on the rapidly expanded installed base.
New Units aggregate	26.7% [data_package §4]	22.2% [calculated from same row]	Segment 25%-27% [data_package §6 row 4]	13.8%	Products and Solutions retain double-digit growth as demand absorbs new industry capacity.
Segment total	25.5% [data_package §3]	21.8% FY2025 [data_package §3]	Segment 25%-27% [data_package §6 row 4]	13.7%	Backlog replenishment stays above revenue while execution remains reliable.

The bull cadence for Products is 18%, 15%, 13%, 11%, and 8.25%; for Solutions, 22%, 18%, 15%, 12%, and 8.48%; and for Service, 16%, 14%, 12%, 10%, and 8.17%. Those paths reproduce the tabled 13.0%, 15.0%, and 12.0% CAGRs to within 0.1 basis point; the tabled CAGRs control the exact terminal arithmetic. The bull case still decelerates. It does not assume that a 25%-plus fiscal-year guide persists on a much larger 2031 base. It requires continued electrification, AI and data-center loads, renewable interconnection, and replacement demand to absorb Siemens Energy's capacity and rival additions.

Bear case growth

Product	Historical CAGR (FY2023-FY2025)	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Products	n/d [data_package §4 taxonomy warning]	Product led Q3 [data_package §4]	Segment 25%-27% [data_package §6 row 4]	5.0%	Capacity arrives into slower awards, price normalizes, and local-content duplication lowers utilization.

Product	Historical CAGR (FY2023-FY2025)	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Solutions	n/d [data_package §4 taxonomy warning]	Solutions led Q1 [data_package §4]	Segment 25%-27% [data_package §6 row 4]	4.0%	HVDC permitting, cable interfaces, customer budgets, and fixed-price execution delay conversion.
Service	16.6% [data_package §4 Grid Service row]	16.6% [calculated from same row]	No separate service guide [data_package §6]	6.0%	Installed base still grows, but utilities insource work and negotiate harder.
New Units aggregate	26.7% [data_package §4]	22.2% [calculated from same row]	Segment 25%-27% [data_package §6 row 4]	4.6%	Strong near-term coverage gives way to weaker replacement orders and excess supplier capacity.
Segment total	25.5% [data_package §3]	21.8% FY2025 [data_package §3]	Segment 25%-27% [data_package §6 row 4]	4.7%	The €51bn backlog prevents collapse, but revenue growth converges toward a low post-cycle rate.

The bear cadence is not an immediate recession: Products grow 7%, 6%, 5%, 4%, and 3.05%; Solutions 6%, 5%, 4%, 3%, and 2.05%; Service 8%, 7%, 6%, 5%, and 4.05%. Those paths reproduce the tabled 5.0%, 4.0%, and 6.0% CAGRs to within 0.1 basis point; the tabled CAGRs control the exact terminal arithmetic. Backlog visibility makes outright contraction less likely before major cancellations or execution failures. The bearish mechanism is a post-scarcity fade in new orders, slower solutions milestones, and underutilized expansion capacity. That is more coherent than assuming the current backlog disappears.

Demand context and why no scenario extrapolates current growth

The structural demand case is strong. The IEA says annual grid investment needs to more than double from about $330bn to $750bn by 2030 in a global net-zero pathway, with roughly three quarters directed to distribution grids ([IEA smart-grid report](https://www.iea.org/reports/unlocking-smart-grid-opportunities-in-emerging-markets-and-developing-economies/executive-summary)). The European Commission estimates €730bn of distribution and €477bn of transmission investment needs by 2040 ([EU anticipatory grid investment guidance](https://energy.ec.europa.eu/news/eu-guidance-ensuring-electricity-grids-are-fit-future-2025-06-02_en)). These totals support a long runway, while permitting, utility affordability, regulatory returns, and supply-chain execution determine the realized pace.

Demand alone is insufficient to justify 20%-plus terminal growth. Hitachi Energy, GE Vernova, Siemens Energy, and regional competitors are investing simultaneously. Product capacity is expected to rise materially before 2031. The base case therefore assumes Siemens Energy roughly preserves competitive position and benefits from the market, not that it takes unlimited share. The bull case requires both favorable demand and superior execution. The bear case recognizes that political support for grids can coexist with project delay and price normalization.

9. Forward Profit before Special Items margin assumptions

The profit metric in every table is **Profit before Special Items**. Product-level margins are analyst allocations calibrated to the sealed TTM total because Siemens Energy does not disclose Product, Solutions, or Service Profit before Special Items. They are not historical facts. Corporate and statutory-bridge adjustments are excluded; the synthesis stage forecasts those once at the group level.

Forecast line	TTM calibrated margin	Bear TTM+5y margin	Base TTM+5y margin	Bull TTM+5y margin	Primary mechanism
Products	19.0%	16.0%	18.0%	21.0%	Pricing, utilization, steel and copper pass-through, yield on new capacity
Solutions	14.1%	10.0%	15.0%	19.0%	Tender discipline, project mix, engineering productivity, execution losses
Service	25.3%	21.0%	24.0%	27.0%	Installed-base attachment, proprietary parts, labor productivity, competition
Segment weighted average	17.43%	14.02%	17.11%	20.49%	Revenue-weighted result on Profit before Special Items

Base. The 17.11% terminal margin is 32 basis points below TTM and below management's FY2026 18%-20% guide. This is intentional post-cycle normalization. The base case assumes that better-priced backlog, scale, and factory learning remain

durable, but the scarcity surcharge fades as the roughly 50% capacity program and competitor investments come on line. Products settle at 18%, Solutions improve modestly to 15% as recent tender quality and execution discipline outweigh normalization, and Service remains high-margin at 24%. The smaller base service mix prevents service from mechanically inflating the segment result.

Bull. The 20.49% terminal margin is 306 basis points above TTM. The specific mechanisms are high utilization of expanded lines, sustained price discipline, improved backlog quality, standardized design reuse, successful HVDC execution, favorable solutions mix, and a rising contribution from service. New capacity reaches mature yield without significant start-up inefficiency. Raw-material escalation clauses work, and customers continue paying for delivery certainty. This is not a pure price case: it requires flawless execution on a much larger revenue base.

Bear. The 14.02% terminal margin is 341 basis points below TTM. Products fall to 16% as pricing normalizes and underutilization reduces factory absorption. Solutions fall to 10% because one or more fixed-price or delayed projects absorb engineering and penalty cost. Service declines to 21% as utilities pressure rates and third-party competition increases. The bear margin remains positive because the backlog has improved commercial quality and the segment begins from a strong position. A worse outcome is possible if a major HVDC project creates large losses, but it is not the central bear because no segment-specific evidence in the data package establishes such a loss.

Capacity growth creates a two-sided margin effect. During 2026-2030, more throughput can raise fixed-cost absorption and help deliver backlog. Simultaneously, recruitment, training, duplicate local facilities, supplier qualification, depreciation, and start-up scrap can dilute returns. By 2031, the base case assumes these costs are largely absorbed but pricing is less scarce. The bull case assumes volume arrives fast enough to absorb every addition. The bear case assumes the industry collectively overbuilds relative to permitted projects.

The scarcity/backlog evidence must be challenged in both directions. Against the optimistic case, the €51bn backlog and 18%-20% FY2026 guide describe a conversion period, not a guaranteed 2031 margin: backlog gross margin and cancellation terms are undisclosed, and the disclosed 50% Grid capacity program plus peer expansion can weaken slot pricing [data_package §4, Grid product capacity row; §6, Grid rows 1 and 5]. Against an overly bearish reading, adding nominal factory capacity does not instantly create qualified transformer test bays, experienced HVDC engineers, utility approvals, or reliable project references. If grid awards continue to absorb the new lines, utilization and tender selectivity can remain high even after lead times ease. The 14.02%-20.49% range therefore expresses execution and absorption uncertainty; neither current scarcity rent nor automatic post-scarcity collapse is treated as destiny.

Working capital does not change Profit before Special Items directly, but it changes the quality of the margin. Customer advances can make current cash conversion exceed economic earnings before delivery. Base assumes advances broadly roll with backlog. Bull assumes replenishment remains strong and milestones are collected on time. Bear assumes new awards slow and advances unwind during delivery, producing a cash headwind. **[DATA GAP: Grid Technologies' share of group contract liabilities, customer advances, and reservation fees is not disclosed.]** No advance balance is included in segment profit.

10. Segment rollup: bottoms-up reconciliation

Revenue and Profit before Special Items by forecast line

Case	Forecast line	TTM revenue	Five-year CAGR	TTM+5y revenue	TTM+5y margin	TTM+5y Profit before Special Items
Bear	Products	€7.090bn	5.0%	€9.048bn	16.0%	€1.448bn
Bear	Solutions	€5.066bn	4.0%	€6.163bn	10.0%	€0.616bn
Bear	Service	€0.735bn	6.0%	€0.983bn	21.0%	€0.206bn
Bear	Segment total	€12.890bn	4.7%	€16.195bn	14.02%	€2.271bn
Base	Products	€7.090bn	10.0%	€11.418bn	18.0%	€2.055bn
Base	Solutions	€5.066bn	11.0%	€8.536bn	15.0%	€1.280bn
Base	Service	€0.735bn	9.0%	€1.131bn	24.0%	€0.271bn
Base	Segment total	€12.890bn	10.3%	€21.084bn	17.11%	€3.607bn
Bull	Products	€7.090bn	13.0%	€13.062bn	21.0%	€2.743bn
Bull	Solutions	€5.066bn	15.0%	€10.189bn	19.0%	€1.936bn
Bull	Service	€0.735bn	12.0%	€1.295bn	27.0%	€0.350bn
Bull	Segment total	€12.890bn	13.7%	€24.546bn	20.49%	€5.029bn

Arithmetic tie-outs

Case	Forecast-line revenue sum (unrounded)	Segment total (unrounded)	Revenue residual	Profit sum (unrounded)	Weighted margin check	Result
Bear	€16.195bn	€16.195bn	€0.000bn	€2.271bn	€2.271bn / €16.195bn = 14.02%	PASS
Base	€21.084bn	€21.084bn	€0.000bn	€3.607bn	€3.607bn / €21.084bn = 17.11%	PASS
Bull	€24.546bn	€24.546bn	€0.000bn	€5.029bn	€5.029bn / €24.546bn = 20.49%	PASS

All revenue totals reconcile exactly to the forecast-line calculations before displayed rounding, and all margins are revenue weighted. For each line the formula is unrounded TTM allocation × (1 + scenario CAGR)^5. The resulting unrounded segment revenues are €16.194716bn, €21.084301bn, and €24.545862bn for bear, base, and bull; they round to the displayed €16.195bn, €21.084bn, and €24.546bn. The model compounds from TTM ended 2026-06-30 to 2031-06-30, exactly five years. It does not compound from FY2025 for six years. The base terminal revenue is 1.64 times TTM and about 1.86 times FY2025; this is demanding but supported by the capacity program and backlog. The bull requires sustained absorption of new capacity. The bear still grows because the existing backlog and electrification replacement need create a floor, though margin normalizes sharply.

The base Profit before Special Items rises from €2.247bn to €3.607bn, slower than revenue because the margin eases. That is a more conservative earnings bridge than simply applying the FY2026 guide midpoint forever. The bull profit more than doubles to €5.029bn through both volume and margin; it is highly execution sensitive. The bear profit is nearly flat at €2.271bn despite 4.7% revenue CAGR because price and project mix unwind. That bear asymmetry is important for valuation: backlog protects revenue better than it protects profit.

The forecast does not add the €51bn backlog to revenue, capitalize customer advances, or treat negative operating assets as free equity. It also does not allocate the corporate reconciliation, special items, acquisition amortization, interest, or tax lines to Grid Technologies. Those items are already classified in the sealed statutory bridge and belong in the consolidated synthesis. The segment appendix ends at Profit before Special Items.

11. Key risks and wildcards

- **Bear — backlog execution.** A high backlog concentrates future operational obligations. HVDC, offshore connections, and turnkey substations can suffer permitting delays, cable and civil-interface problems, commissioning failures, supplier insolvency, and liquidated damages. Revenue visibility is not margin certainty.

- **Bear — price normalization after capacity expansion.** Siemens Energy targets roughly 50% more transformer and GIS capacity by FY2030, while Hitachi Energy and GE Vernova are also investing. If project approvals fail to match industry capacity, utilities can regain tender leverage and product margins can fall faster than volume.

- **Bear — raw materials and specialized components.** Grain-oriented electrical steel, copper, insulation, bushings, tap changers, and power electronics are concentrated inputs. Incomplete indexation or supplier delay can compress booked margin and slow throughput.

- **Bear — local-content and trade rules.** Domestic-content tests and resilience criteria can force local assembly, supplier changes, duplicate capital, or exclusion from tenders. They can also protect incumbents with local capacity. The net result depends on Siemens Energy's footprint and the exact tender.

- **Bear — working-capital reversal.** Customer advances and contract liabilities have helped group cash flow. If bookings slow while backlog delivery continues, cash can reverse even while Profit before Special Items remains positive. Segment-specific exposure is undisclosed.

- **Base and bull — demand durability.** Electrification, renewable interconnection, data centers, replacement of aging grids, storage, and resilience should support multi-year demand. The wildcard is timing: regulated utilities may recognize the need but defer approved spending because of affordability, permitting, or allowed-return constraints.

- **Bull — service attachment.** If Siemens Energy converts the expanding installed base into monitoring, upgrades, refurbishment, and long-term service, earnings could be more resilient and higher margin than the model's 5%-plus revenue share implies. The data package does not disclose attach rates.

- **Bull — digital and system value.** Grid controls, protection, power electronics, and orchestration can increase the value captured per physical asset. Successful standardization and software reuse could raise Solutions margins without relying solely on scarce equipment pricing.

- **All cases — customer and project concentration.** Large HVDC awards can make a few customers or projects disproportionately important. **[DATA GAP: Grid Technologies customer concentration, backlog by customer, cancellation rights, and backlog gross margin are not disclosed.]**

- **All cases — product reliability and cybersecurity.** High-voltage equipment must operate for decades, and digital grid controls are critical infrastructure. A design defect, cyber vulnerability, or field failure can create remediation cost, lost qualification, and reputational damage beyond the immediate contract.

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	€16.195bn	Profit before Special Items	14.02%	€2.271bn	25%
Base	€21.084bn	Profit before Special Items	17.11%	€3.607bn	55%
Bull	€24.546bn	Profit before Special Items	20.49%	€5.029bn	20%

The segment is a genuine beneficiary of a multi-year grid investment cycle, with an unusually strong backlog, favorable booked-margin progression, and a credible capacity plan. The most important underwriting distinction is that backlog and demand protect revenue more than they protect profit or cash. The base case gives Siemens Energy credit for durable scale and execution improvements while normalizing the terminal margin below the near-term guidance band. The bear case does not require a collapse in electricity demand; it requires only that project timing, industry capacity, and price competition turn today's scarcity into ordinary industrial economics. The bull case is possible, but it demands simultaneous high utilization, clean solutions execution, persistent pricing, and stronger service attachment. Those are operational achievements, not automatic consequences of a €51bn backlog.

The 25% / 55% / 20% bear / base / bull weights reflect the disqualifier sweep rather than symmetry: recent growth, backlog, and the improving processed-backlog margin favor the base, while undisclosed backlog economics, project concentration, and simultaneous industry capacity additions keep bear probability above bull probability.

Appendix B2 - Gas Services

Gas Services — Segment Deep Dive

Run ID: `pulse-cio-20260911T040231+0800` Mode: Production Information cutoff: 2026-09-11 TTM anchor: 2026-06-30 Exact horizon: 2031-06-30, exactly 5.000 calendar years Reporting currency: EUR
`trade_execution_authorized=false`

0. Segment boundary and taxonomy note

Gas Services is modeled on Siemens Energy's current reporting boundary: new gas and steam turbines, generators and related equipment, plus maintenance, upgrades, digital and consulting services. The material taxonomy boundary is October 1, 2022, when the former Gas and Power segment was divided into Gas Services, Grid Technologies and Transformation of Industry. FY2022 was recast into the current structure in the FY2023 annual report, but FY2021 was not; FY2021 is therefore excluded from current-perimeter dollar comparisons. From FY2023 onward the four-Business-Area presentation is stable, and the FY2025 internal label refinements did not change Gas Services' reportable perimeter [data_package §1, lines 98-111]. All financial history and forecasts use the exact QFR-sealed issuer metric `Profit before Special Items`. This is not relabeled as operating income, EBIT or EBITDA. Corporate/unallocated and statutory-bridge lines remain outside this segment model for later consolidation [data_package §3a, lines 167-227].

1. What this segment actually is

Gas Services sells the rotating equipment and lifecycle work that allow utilities, independent power producers, oil and gas operators, industrial companies and increasingly data-center power developers to generate dispatchable electricity and process steam. The economic proposition is broader than selling a gas turbine. A new power island may include a gas turbine, steam turbine, generator and related control or balance-of-plant equipment. Once commissioned, the installed machine needs inspections, replacement parts, repairs, outage labor, controls, efficiency and output upgrades, digital monitoring and sometimes long-term maintenance. Siemens Energy groups the initial equipment in **New Units** and the lifecycle activities in **Service** [data_package §4, lines 229-246].

New Units is a project and capacity-cycle business. Customers reserve manufacturing slots, finalize specifications, pay advances, and receive equipment over a multi-year engineering, manufacturing and delivery schedule. Revenue follows contractual performance and delivery milestones rather than the original order date. Price reflects turbine class and output, combined-cycle scope, local content, engineering complexity, emissions requirements, fuel flexibility and contractual risk allocation. The order is valuable not only for its equipment profit but because each installed unit can seed decades of proprietary or strongly advantaged service demand.

Service is an installed-base business. Revenue is earned through long-term service agreements, scheduled outages, spare parts, repairs, upgrades, field service, consulting, digital monitoring and other support. The segment may price through multi-year contractual schedules, time and materials, scope-based outage work, spare-part lists, or performance-linked arrangements. Service demand depends on operating hours, starts, duty cycle, fleet age, maintenance intervals, reliability events and customers' desire to improve heat rate, output, emissions or fuel flexibility. A machine running baseload creates a different service cadence from a peaker that starts frequently but operates fewer hours. The common economic feature is that plant owners cannot casually defer every inspection or install unqualified critical hot-gas-path parts without affecting reliability, insurance, warranty status and dispatch economics.

Go-to-market is technically intensive and relationship driven. New-unit bids involve utilities, engineering-procurement-construction contractors, project financiers, regulators, fuel suppliers and grid planners. Qualification can take years because a turbine must demonstrate output, efficiency, emissions, availability and maintainability at the customer's frequency and ambient conditions. Service sales are closer to the installed asset: the original equipment maker possesses design data, fleet-wide failure knowledge, repair specifications, control software, field tooling and qualified parts. Independent service providers can compete for some mature-frame work, but the original equipment maker is strongest for advanced machines, major upgrades, proprietary controls and risk-sharing contracts.

Gas Services is therefore a hybrid. New Units is cyclical, project-based and supply-constrained; Service is recurring, installed-base-linked and usually economically better. The hybrid matters for forecasting. A powerful turbine order cycle first expands backlog and customer advances, later raises new-unit revenue, and only after commissioning enlarges the serviceable fleet. Service growth can outlast the equipment upcycle, but only if the machines operate enough, contractual

pricing covers inflation and the original equipment maker retains customer loyalty.

2. Current economics

The verified TTM ended June 30, 2026 consists of Q4 FY2025 through Q3 FY2026. Gas Services revenue was EUR 13.425bn: EUR 3.094bn, EUR 3.097bn, EUR 3.478bn and EUR 3.756bn by quarter [Q4-25 through Q3-26 official segment tables, dated 2025-11-13 to 2026-08-05; data_package §5, lines 273-282]. Profit before Special Items was EUR 1.966bn on the sealed bridge basis [TTM_OFFICIAL_SCHEDULE; data_package §3a, lines 194-215]. The resulting TTM margin was 14.64%. Quarterly margin moved from 8.1% in Q4 FY2025 to 16.6%, 15.9% and 17.3% in Q1-Q3 FY2026, while comparable revenue growth was 15.5%, 13.9%, 15.0% and 20.8%. The Q4 margin trough shows that quarterly mix and execution can be volatile; the following three quarters show that the margin improvement is not confined to one period.

The backlog is extraordinary relative to the revenue base. Gas Services backlog moved from EUR 42bn at FY2022 through EUR 41bn, EUR 45bn and EUR 54bn at subsequent fiscal year-ends, then to EUR 73bn at Q3 FY2026 [AR23-AR25 and Q3-26 official segment disclosures; data_package §0a, lines 54-68]. The latest backlog is about 5.4 times TTM revenue. Order intake rose from EUR 11.813bn in FY2022 to EUR 22.996bn in FY2025, and the latest four quarters produced EUR 4.769bn, EUR 8.751bn, EUR 8.869bn and EUR 9.967bn of orders [AR23-AR25 and Q4-25 through Q3-26 official segment tables; data_package §0a, line 62; §5, lines 305-310]. Those four quarters sum to EUR 32.356bn, 2.4 times contemporaneous TTM revenue. This is visibility, but it is also a delivery obligation. Backlog is not revenue, cash profit or a guarantee against cancellation, scope change, inflation or liquidated damages.

The latest official product dollars are FY2025 external revenue: New Units EUR 4.096bn and Service EUR 7.973bn [AR25 Note 26; data_package §4, lines 229-248]. They sum to EUR 12.069bn, EUR 129m below the EUR 12.198bn segment total because the product table is external revenue whereas segment revenue includes intersegment activity and reporting reconciliation. Product-level TTM dollars are not disclosed. For the forward model, the exact EUR 13.425bn TTM segment anchor is allocated analytically as EUR 4.833bn New Units, EUR 8.458bn Service and EUR 0.134bn reconciliation. That is a 36.0% / 63.0% / 1.0% allocation. It modestly lifts New Units from its 33.9% FY2025 external-product share because all four recent quarters identified new units as an important growth contributor and Q3 said both activities were substantial while New Units grew faster [Q4-25 through Q3-26 directional product commentary; data_package §4, lines 250-255]. **This split is an analyst allocation, not an issuer-reported TTM product history.** Scaling the FY2025 external-product mix to the same non-reconciliation TTM total would instead allocate about EUR 4.511bn to New Units and EUR 8.780bn to Service; the selected allocation shifts about EUR 0.322bn toward the lower-margin New Units assumption, so it does not hide a service-mix profit uplift. [DATA GAP: Gas Services TTM New Units and Service revenue are not separately disclosed.]

Capital intensity is rising but remains modest compared with revenue and advances. Gas Services capital expenditure and intangible additions increased from EUR 133m in FY2022 to EUR 162m, EUR 241m and EUR 377m in FY2025 [AR23-AR25 Note 26; data_package §0a, lines 72-83]. FY2025 additions were 3.1% of segment revenue. Segment operating assets fell from EUR 2.782bn in FY2023 to EUR 2.535bn and EUR 1.083bn in FY2025, reflecting the issuer's definition after interest-free liabilities and customer advances rather than a disappearance of productive assets [AR23-AR25 Note 26; data_package §0a, lines 72-80]. The unusually low net operating-asset base makes simple segment return calculations look exceptional, but it partly reflects customers financing production through advances. Cash conversion can reverse as those contracts are delivered.

3. Unit economics

New Units

New-unit economics begin with slot scarcity and engineering differentiation. When industry capacity is tight, credible suppliers can require reservation payments, protect price, select contract terms and load factories efficiently. Siemens Energy disclosed 26 GW booked and 28 GW of reservations in FY2025; commitments reached 80 GW in Q1 FY2026, 87 GW in Q2, and by Q3 consisted of 69 GW of backlog plus 26 GW of slot-reservation agreements. Q3 bookings included 12 GW converted from reservations, and 6 GW shipped [data_package §4, lines 259-268]. Those quantities demonstrate both demand and a funnel from reservations to firm orders. They do not prove that every reserved slot becomes an order.

Manufacturing absorption is powerful. Turbine plants carry specialized labor, tooling, test capability, engineering and supply-chain overhead. Higher throughput spreads those costs, improves procurement planning and reduces idle capacity. The official capacity schedule calls for medium-turbine capacity to rise from 50 units in FY2025 to about 80 in FY2026 and about 100 in FY2028; large-turbine capacity is approximately 35 units in FY2025-FY2026, about 50 in FY2027 and more than 50 in FY2028 [data_package §4, lines 267-268]. In the base case this capacity ramp supports volume without assuming

demand can be monetized instantly. In the bull case, high utilization, disciplined pricing and smooth supplier execution expand new-unit margin. In the bear case, the same ramp creates under-absorption if reservations fail to convert or policy and financing delay projects.

Contract quality is as important as price. New-unit projects may include raw-material escalation, engineering changes, logistics, site dependencies, performance guarantees, delay penalties and warranty exposure. A fixed price agreed years before delivery can be unprofitable if labor, nickel alloys, castings, forgings, freight or site scope inflates without contractual protection. Conversely, customer advances reduce working-capital needs and slot scarcity improves terms. The TTM evidence is favorable: corporate releases repeatedly cited improved margin quality in processed backlog [data_package §6, lines 318-329]. The model gives that observation weight, but does not extrapolate the latest 17.3% segment margin directly into a permanently accelerating new-unit margin.

Service

Service economics are driven by installed-base utilization, maintenance events and intellectual property. Parts and repairs can carry attractive margins because the cost of an outage or efficiency loss is much larger than the price difference between qualified and unqualified components. Field-service labor and planned outages may be lower margin individually, but they deepen the customer relationship and lead to parts and upgrades. Performance upgrades have a clear value-sharing logic: an owner can pay for more output, better heat rate, faster starts, lower emissions or fuel flexibility when the annual fuel or capacity value exceeds the upgrade cost.

Competitor disclosures validate the model without being imported as Siemens Energy history. GE Vernova reports roughly 7,000 installed gas turbines and says services exceed 55% of its company backlog; its 2024 investor presentation described a USD 43bn heavy-duty gas-turbine service-agreement backlog, with more than 70% having over ten years remaining. It also quantified upgrades that can improve output 2%-11%, efficiency by two percentage points and annual customer value by USD 1m-USD 6m [GE Vernova investor page](https://www.gevernova.com/investors) and [2024 Investor Day presentation](https://www.gevernova.com/sites/default/files/2025-04/24_investor_day_presentation_gevernova.pdf). These are GE figures, not Siemens figures, but they show why the large-frame turbine service pool supports long-lived, value-based economics.

Service does not have zero risk. Long-term agreements can transfer outage-frequency, parts-life or performance risk to the supplier. A design issue repeated across a fleet can turn recurring revenue into warranty expense. Customers can insource work, use independent providers on mature frames, renegotiate when utilization falls or defer discretionary upgrades. A growing renewable share can reduce running hours for some gas plants even as it increases starts and flexibility requirements. The direction of service demand therefore depends on both capacity installed and how the fleet operates.

Margin bridge and reinvestment

Gas Services' Profit before Special Items margin rose from 6.5% in FY2022 to 9.5% in FY2023, 9.5% in FY2024, 13.0% in FY2025 and 14.64% in the TTM [AR23-AR25 segment profitability tables and TTM_OFFICIAL_SCHEDULE; data_package §3, lines 135-144; §3a, lines 194-215]. The improvement is consistent with better backlog pricing, higher volumes, factory absorption, execution and service growth. The margin is not a gross margin and not a statutory operating margin. Special items, acquisition-intangible amortization and central reconciliation are excluded and handled later at group level.

For modeling, product-level margins are analyst estimates because Siemens Energy does not disclose New Units and Service Profit before Special Items separately. New Units is assigned a lower margin than Service in every horizon case. The base case raises the segment margin to 18.82% by 2031 through better priced backlog, manufacturing learning, capacity utilization and the larger high-margin service pool. The bull case reaches 21.67% only if slot scarcity, productivity and service pricing all persist. The bear case falls to 13.14% as equipment utilization softens and contract risk offsets service resilience. These assumptions are deliberately below or around what a high-quality service-heavy franchise might earn because supplier inflation, ramp costs, warranties and project risk remain real.

4. Competitive dynamics

The heavy-duty gas-turbine market is an oligopoly rather than a protected monopoly. GE Vernova, Siemens Energy and Mitsubishi Power are the principal global competitors in large and advanced-class equipment; Ansaldo Energia is an additional competitor in selected frames and regions. Competition occurs on heat rate, output, availability, emissions, ramp rate, fuel flexibility, installed references, financing, delivery slots, local content and lifecycle service cost. In aeroderivatives and smaller machines, alternatives broaden. Steam turbines and generators also face specialized competitors and sometimes

different procurement choices from the gas turbine.

GE Vernova claims approximately half of the global gas installed base, over 7,000 turbines and more than 800 GW in over 120 countries [GE Vernova gas-turbine portfolio](https://www.gevernova.com/gas-power/products/gas-turbines). Mitsubishi Power reported 1,819 cumulative gas-turbine orders as of August 31, 2025, including licensee-manufactured units and awarded projects [MHI GTCC briefing](https://www.mhi.com/finance/library/business/pdf/2025_gtcc_summary.pdf). Those figures use different denominators and cannot be converted into a precise current order share. [DATA GAP: no consistent live primary-source dataset was found that measures Siemens Energy, GE Vernova, Mitsubishi Power and Ansaldo Energia on the same unit, MW, order-date and geographic basis.] The appropriate conclusion is concentrated rivalry with meaningful installed-base asymmetry, not a fabricated exact market share.

Demand is currently larger than near-term manufacturing capacity. The International Energy Agency reported global electricity demand growth of about 3% in 2025 and forecasts 3.6% in 2026 and 3.8% in 2027, driven by industry, appliances, cooling, electric vehicles and data centers [IEA July 2026 update](https://www.iea.org/news/global-electricity-demand-growth-set-to-accelerate-as-power-systems-adjust-to-recent-shocks). The IEA also reported that data-center electricity use grew 17% in 2025 and expects it to double by 2030; constrained grid connections are leading some U.S. projects toward onsite natural-gas generation, while turbine and transformer supply chains have tightened [IEA April 2026 data-center update](https://www.iea.org/news/data-centre-electricity-use-surged-in-2025-even-with-tightening-bottlenecks-driving-a-scramble-for-solutions). This supports the current cycle, but data-center announcements can be duplicated, speculative or delayed by interconnection, chips, permitting and financing.

GE provides a useful comparable trajectory. It said 2025 Power revenue grew 10% and EBITDA margin expanded 100 basis points to 14.7%, driven by price and productivity, primarily in Gas Power and Steam Power; Power orders grew more than 50% as gas equipment and services expanded backlog [GE Vernova 2025 investor update transcript](https://www.gevernova.com/sites/default/files/gev_webcast_transcript_01282026.pdf). GE's segment perimeter and EBITDA definition differ from Siemens Energy's Gas Services and Profit before Special Items, so the levels are not directly comparable. The evidence nevertheless confirms that demand, price and productivity are industry-wide, not unique to Siemens Energy.

Pricing power is strongest when three conditions coincide: technically proven advanced machines, scarce delivery slots and a customer whose cost of delayed power exceeds the turbine price delta. It weakens when industry capacity expands, project pipelines are canceled or standardized equipment attracts more bids. The base case assumes pricing remains supportive through the visible backlog but normalizes as capacity catches up after FY2028. The bull case assumes reservation conversion and datacenter or Middle East urgency preserve scarcity. The bear case assumes new capacity and weaker project conversion move bargaining power back to customers.

Substitution risk is two-sided. Renewable energy, batteries, nuclear, demand response and grid expansion can reduce the amount of new gas capacity required or the running hours of installed plants. The IEA expects renewables and nuclear to reach 50% of global generation by 2030, with gas-fired generation still growing about 2.6% annually through 2030 and retaining a role in flexibility and system stability [IEA Electricity 2026](https://www.iea.org/reports/electricity-2026/executive-summary). Thus gas equipment is not the fastest-growing generation technology, but dispatchability remains valuable. A bear case must respect the possibility that batteries, transmission, demand management and faster nuclear or renewable deployment satisfy more peak and firming demand than expected.

5. Moat at the segment level

Gas Services has a real but bounded moat. Its strongest layer is the installed base. Once an advanced turbine is operating, the original equipment maker has proprietary drawings, material specifications, control logic, service history and fleet-wide engineering knowledge. Planned outages are costly and operational mistakes can be catastrophic, so customers value qualification and accountability. This creates recurring parts, repair and upgrade opportunities and lowers selling cost relative to winning a new greenfield project.

The second layer is technology validation. High-efficiency turbines operate at extreme temperature and stress. Buyers require reference plants, verified reliability, emissions compliance and bankability. A new entrant cannot reproduce decades of fleet hours with capital alone. MHI notes that its turbine designs undergo at least 8,000 hours of validation; its G-class fleet has accumulated more than seven million operating hours [Mitsubishi Power M501G page](https://power.mhi.com/regions/amer/products/gas-turbines/m501g). GE cites more than 670 million operating hours across its fleet [GE Vernova HA fleet release](https://www.gevernova.com/news/press-releases/ge-vernova-ha-gas-turbine-fl

eet-achieves-two-million-operating-hours). The exact numbers are competitor disclosures, but the broader point is that fleet proof and materials know-how are slow to replicate.

The third layer is manufacturing and supplier complexity. Large castings, forgings, hot-section materials, coatings, combustion systems, generators, controls and field expertise form a specialized ecosystem. Capacity cannot be added overnight without training, qualification and yield risk. Siemens Energy's own multi-year capacity ramp shows this constraint [data_package §4, lines 267-271]. Slot scarcity can convert the manufacturing barrier into favorable commercial terms.

The moat is not impregnable. GE's claimed installed-base leadership and Mitsubishi's large reference fleet are evidence that Siemens Energy faces peers with equal or greater engineering depth. Customers can dual-source across projects, and independent service providers can contest mature frames. Advanced machines can suffer design issues that reverse the installed-base advantage: a fleet-wide defect concentrates liability in the original equipment maker. The moat therefore protects much of Service and the bankability of New Units, but does not guarantee market share or eliminate cyclicality.

Over five to ten years, durability depends on retaining three capabilities: reliable execution during the capacity ramp, measurable customer value from upgrades and a credible decarbonization path. Hydrogen and alternative-fuel capability may protect option value, but it is not an exclusive moat. GE markets a roadmap toward high hydrogen capability, Mitsubishi reports demonstrations of 30% co-firing and 100% hydrogen on a small turbine, and Ansaldo says its GT36 can operate with up to 70% hydrogen by volume [GE Vernova HA fleet release](https://www.gevernova.com/news/press-releases/ge-vernova-ha-gas-turbine-fleet-achieves-two-million-operating-hours), [MHI GTCC briefing](https://www.mhi.com/finance/library/business/pdf/2025_gtcc.pdf), and [Ansaldo GT36 release](https://www.ansaldoenergia.com/it/media-center/power-generation-news-insights/detail-news/ansaldo-energias-gt36-fleet-surpasses-80000-equivalent-operating-hours-and-completes-its-first-b1-inspection). Hydrogen readiness is increasingly a competitive requirement, not a reason to award monopoly economics.

The segment-level moat verdict is **moderate-to-strong, concentrated in Service and advanced-frame bankability**. It can support above-average margins through 2031 if execution remains sound. It does not support perpetual double-digit equipment growth, unconstrained price increases or a claim that hydrogen makes gas turbines immune to decarbonization policy.

6. Historical growth rates

The table reproduces the finest dollar disclosure in the verified data package. FY2023, FY2024 and FY2025 are comparable under the current taxonomy. The mandated “3-year CAGR” column means the CAGR across the three shown fiscal-year observations, which contains two compounding intervals. No product history is back-solved.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	3-year displayed-series CAGR	Most recent FY YoY	Data package cite
Gas Services total	EUR 10.915bn [§3 Gas Services revenue row]	EUR 10.796bn [§3 Gas Services revenue row]	EUR 12.198bn [§3 Gas Services revenue row]	5.71% [§3 Gas Services revenue row; two intervals]	12.99% [§3 Gas Services YoY row]	AR23-AR25 segment tables; data_package §3, lines 135-144
New Units	EUR 4.169bn [§4 Gas Services New Units row]	EUR 3.602bn [§4 Gas Services New Units row]	EUR 4.096bn [§4 Gas Services New Units row]	-0.88% [§4 Gas Services New Units row; two intervals]	13.71% [§4 Gas Services New Units row]	AR23-AR25 Note 26; data_package §4, lines 229-236
Service	EUR 6.615bn [§4 Gas Services Service row]	EUR 6.943bn [§4 Gas Services Service row]	EUR 7.973bn [§4 Gas Services Service row]	9.79% [§4 Gas Services Service row; two intervals]	14.84% [§4 Gas Services Service row]	AR23-AR25 Note 26; data_package §4, lines 229-236
Segment less external-product table	EUR 0.131bn [§3 total less §4 product rows]	EUR 0.251bn [§3 total less §4 product rows]	EUR 0.129bn [§3 total less §4 product rows]	-0.75% [same rows; two intervals]	-48.61% [same rows]	Calculated from AR23-AR25 Note 26; data_package §3, lines 139-144; §4, lines 233-248

Arithmetic checks: EUR 10.796bn × 1.1299 = EUR 12.199bn, within rounding of the EUR 12.198bn total. EUR 3.602bn × 1.1371 = EUR 4.096bn. EUR 6.943bn × 1.1484 = EUR 7.973bn. All disclosed FY2025 YoY relationships tie within 0.02%, far inside the 2% threshold. The reconciliation line is not an economic product; it is retained so the external-product table and segment total are never silently mixed.

The history is informative but cycle-distorted. New Units fell 13.6% in FY2024 before rebounding 13.7% in FY2025, leaving its two-interval CAGR slightly negative. Service compounded 9.8% and then accelerated to 14.8%. The recent quarterly narrative says New Units became the faster contributor, while exact product-level quarterly percentages remain undisclosed [data_package §4, lines 250-255]. A straight extrapolation of the historical New Units CAGR would ignore the EUR 73bn backlog and capacity ramp; extrapolating the latest total quarterly growth would ignore finite manufacturing capacity and

eventual normalization.

7. Management guidance from the data package

The data package contains the following Gas Services forward anchors. Quotes are reproduced verbatim from the verified package; no transcript was re-fetched.

- **2026-08-05, Christian Bruch, CEO — data_package §6, row 1:** “Global demand for electricity — and consequently for our products — remained strong” — this supports near-term volume across the group. It does not quantify Gas Services' sustainable growth or protect against project timing.

- **2026-08-05, corporate release, unattributed — data_package §6, row 2:** “order backlog increased to €73bn” — backlog is more than five times TTM revenue and creates conversion visibility. The underwriting question moves from demand discovery toward manufacturing, contract quality and delivery execution.

- **2026-08-05, corporate release, unattributed — data_package §6, row 3:** “increased profitability of the processed order backlog in the new units business” — this is the most direct support for higher New Units margin. It justifies improvement from historical levels but does not disclose product margin or guarantee every future cohort is richer.

- **2026-05-12, corporate release, unattributed — data_package §6, row 4:** “customer payments related to strong order momentum” — advances can produce attractive cash conversion before revenue. They are contract liabilities economically and may unwind as equipment is built and delivered.

- **2026-05-12, corporate release, unattributed — data_package §6, row 5:** “comparable revenue growth of 16% to 18%” — this is FY2026 Gas Services guidance. It anchors the near-term year, not the five-year CAGR; the base model explicitly decelerates as capacity growth and backlog conversion normalize.

- **2026-02-11, corporate release, unattributed — data_package §6, row 6:** “improved margin quality of the processed order backlog” — this confirms the profitability improvement was visible before Q3. It supports a multi-quarter rather than one-quarter interpretation.

- **2025-11-13, corporate release, unattributed — data_package §6, row 7:** “higher volume and improved margin quality of the processed order backlog” — the same combination of volume and price or contract quality was present at FY2026's start, increasing confidence that both rather than one alone drove profit.

- **2025-11-13, corporate release, unattributed — data_package §6, row 8:** “around €11 billion of the order backlog ... expected to result in revenue” — this FY2026 conversion anchor covers most of the annual revenue base. It reinforces near-term visibility but also shows that only a fraction of the EUR 73bn backlog converts in any one year.

Additional official capacity and conversion anchors in the package are essential: existing backlog covered about 95% of expected Q4 FY2026 revenue and about 87% of expected FY2027 revenue, and backlog project margins improved across almost all Business Areas except Transformation of Industry [data_package §4, lines 259-271]. [DATA GAP: the data package does not disclose a numeric Gas Services FY2026 Profit before Special Items margin guide or separate New Units and Service growth guidance.]

8. Forward growth assumptions

TTM product-anchor convention

The product forecast starts from exact TTM segment revenue of EUR 13.425bn. Because TTM product dollars are not disclosed, the analytic allocation is EUR 4.833bn New Units, EUR 8.458bn Service and EUR 0.134bn segment/product reconciliation. The allocation sums exactly. It is used only to make the terminal rollup reconstructable; it is not presented as company history. Every product forecast below therefore starts from an **analyst-allocated TTM anchor**. The latest numeric YoY in the tables is shown only where disclosed. Product rows use the issuer's directional statement rather than inventing a percentage.

Base case growth

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to 2031-06-30	Justification
New Units	-0.88% FY2023-FY2025	Directional: faster than Service in Q3	Gas Services 16%-18% FY2026	9.0%	Backlog, reservations and capacity overcome the flat historical base; growth decelerates as capacity catches up and projects normalize.
Service	9.79% FY2023-FY2025	Directional: substantial Q3 growth	Gas Services 16%-18% FY2026	8.0%	Installed-base work retains near-historical growth; new deliveries add service demand with a lag, offset by lower utilization in some markets.
Reconciliation	-0.75% displayed series	Not meaningful	None	8.0%	Held near 1% of segment revenue; it is not an economic growth thesis.

Base annual cadence: New Units grows 14%, 11%, 9%, 7% and 4% over the five successive years, equivalent to about 8.9% compounded and rounded to 9.0% for the terminal calculation. Service grows 8.5%, 8.5%, 8.0%, 7.5% and 7.5%, equivalent to about 8.0%. The sharp step down from FY2026's 16%-18% segment guide is not generic “maturation.” It reflects the disclosed production schedule: medium capacity approximately doubles by FY2028 and large capacity rises from about 35 to 50-plus units, after which the known ramp stops providing the same incremental growth [data_package §4, lines 267-271]. It also reflects an industry base rate: the IEA expects gas-fired generation to grow 2.6% annually through 2030, well below current turbine order growth [IEA Electricity 2026](https://www.iea.org/reports/electricity-2026/executive-summary).

Bull case growth

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to 2031-06-30	Justification
New Units	-0.88% FY2023-FY2025	Directional: faster than Service in Q3	Gas Services 16%-18% FY2026	13.0%	Reservations convert at high rates, data-center and Middle East demand persists, and expanded plants remain full through 2031.
Service	9.79% FY2023-FY2025	Directional: substantial Q3 growth	Gas Services 16%-18% FY2026	10.5%	High fleet utilization, upgrades and new commissioning lift service above its recent historical CAGR.
Reconciliation	-0.75% displayed series	Not meaningful	None	10.5%	Kept near 1% of segment revenue; no independent economic value is assigned.

Bull annual cadence: New Units grows 16%, 15%, 13%, 12% and 9%, equivalent to about 13.0%; Service grows 11%, 11%, 10.5%, 10.5% and 9.5%, equivalent to about 10.5%. This requires more than demand. It requires supplier qualification, labor availability, high manufacturing yield and no broad project cancellation. The case is structurally possible because data-center electricity consumption is expected to double by 2030 and grid constraints are prompting onsite-gas proposals [IEA data-center update](https://www.iea.org/news/data-centre-electricity-use-surged-in-2025-even-with-tightening-bottlenecks-driving-a-scramble-for-solutions). It is not the base case because renewables, nuclear, storage and grid solutions also compete to meet that load.

Bear case growth

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to 2031-06-30	Justification
New Units	-0.88% FY2023-FY2025	Directional: faster than Service in Q3	Gas Services 16%-18% FY2026	2.0%	Strong near-term deliveries fade as reservations lapse, approvals slip and industry capacity expands into weaker orders.
Service	9.79% FY2023-FY2025	Directional: substantial Q3 growth	Gas Services 16%-18% FY2026	4.0%	Mandatory maintenance provides resilience, but low running hours, independent service and deferred upgrades halve historical growth.

Product	Historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to 2031-06-30	Justification
Reconciliation	-0.75% displayed series	Not meaningful	None	2.0%	Kept immaterial; it does not cushion the operating case.

Bear annual cadence: New Units grows 5%, 3%, 2%, 1% and declines 1%, equivalent to about 2.0%; Service grows 5%, 4%, 4%, 4% and 3%, equivalent to about 4.0%. The case recognizes that backlog covers much of the first two years, so it does not impose an implausible immediate collapse. Weakness appears when projects beyond the covered period are delayed, capacity growth reduces scarcity and renewable, nuclear, storage or grid investments substitute for part of new gas demand. Service stays positive because the existing fleet still requires work, but lower capacity factors and customer cost pressure reduce discretionary upgrades.

Hydrogen and fuel optionality

No case assigns a distinct hydrogen revenue line because the data package does not disclose one. Fuel flexibility can preserve addressable demand and create combustor or control upgrades, but hydrogen availability, transport cost, storage, NOx control and customer economics remain uncertain. Competitors have credible roadmaps, so capability protects relevance more than price. Base assumes limited retrofit contribution embedded in Service; bull assumes more upgrades late in the period; bear assumes hydrogen does not materially improve revenue before 2031. [DATA GAP: no verified Gas Services revenue or backlog split for hydrogen-capable turbines, hydrogen upgrades, heat pumps or digital offerings.]

9. Forward Profit before Special Items margin assumptions

The current exact metric is **Profit before Special Items**. TTM margin is 14.64%, calculated from EUR 1.966bn profit and EUR 13.425bn revenue [data_package §3a, lines 194-215; §5, lines 277-282]. Product-level margins are not disclosed, so the following are explicit analyst assumptions. The reconciliation line receives zero profit rather than being used as a margin plug.

Case	Product	TTM margin anchor	2031 analyst Profit before Special Items margin	Change versus TTM segment margin	Mechanism
Bear	New Units	Product n/d; segment 14.64%	8.0%	-664 bps	Lower factory utilization, price normalization, ramp inefficiency and contract cost risk.
Bear	Service	Product n/d; segment 14.64%	16.0%	+136 bps	Recurring parts and outages preserve margin, but utilization and upgrade pressure limit upside.
Bear	Reconciliation	n/a	0.0%	n/a	No profit plug assigned.
Base	New Units	Product n/d; segment 14.64%	14.0%	-64 bps	Better backlog pricing and factory absorption offset ramp costs and normal project risk.
Base	Service	Product n/d; segment 14.64%	22.0%	+736 bps	Installed-base growth, pricing, proprietary parts and upgrade mix produce operating leverage.
Base	Reconciliation	n/a	0.0%	n/a	No profit plug assigned.
Bull	New Units	Product n/d; segment 14.64%	17.0%	+236 bps	Slot scarcity, favorable contract quality, full plants and strong productivity.
Bull	Service	Product n/d; segment 14.64%	25.0%	+1,036 bps	High fleet utilization, upgrades, long-term agreements and mix drive premium economics.
Bull	Reconciliation	n/a	0.0%	n/a	No profit plug assigned.

The base margin change exceeds 100 basis points at the segment level and therefore needs a concrete bridge. First, management says processed New Units backlog has higher margin quality [data_package §6, lines 318-329]. Second, the disclosed capacity ramp should improve overhead absorption as units increase, although start-up and training costs partly offset it. Third, new deliveries enlarge the service pool with a lag. Fourth, pricing and upgrade value support Service. Against these positives, the model retains a 14% New Units margin, below the Service estimate, and assigns no profit to the reconciliation line. This prevents the service thesis from silently lifting equipment economics.

The bull margin requires near-flawless execution and is not simply a volume sensitivity. A 25% Service assumption is plausible only if high-value parts and upgrades grow faster than labor-heavy work, fleet utilization is high, and long-duration contract escalators protect inflation. A 17% New Units assumption requires persistent slot scarcity and favorable risk allocation. If either condition fails, the bull margin does not follow from revenue alone.

The central optimism check is the undisclosed product-margin starting point. The base case's 22% Service margin is an analyst estimate, not a management target. Holding all base revenue and New Units assumptions constant but using 19% for Service would reduce 2031 segment Profit before Special Items from EUR 3.775bn to about EUR 3.402bn and the blended margin from 18.82% to about 16.96%. This sensitivity is why improving processed-backlog quality and service-mix logic support the base case but do not independently prove it.

The bear margin remains profitable because much of near-term revenue is already covered and service work is recurring. It falls below the TTM level because rising industry capacity can weaken price before fixed manufacturing cost is removed, while late-stage changes, penalties or supplier inflation can hurt equipment contracts. A fleet reliability event could push the outcome below this case; that tail is identified as a risk rather than hidden in the ordinary margin range.

The counter-check against excessive bearishness is the timing of that deterioration. With backlog covering about 95% of expected Q4 FY2026 revenue and about 87% of expected FY2027 revenue, the 8% New Units terminal margin and 4% Service CAGR require weaker post-FY2027 reservation conversion plus under-absorption or contract leakage; they should not be read as a near-term collapse despite the low five-year endpoint [P3-26 pages 5-6; data_package §4, lines 261-271].

10. Segment rollup

Product revenue and Profit before Special Items by case

Case	Product	Analyst-allocated TTM revenue anchor	5-year CAGR	2031 revenue	2031 Profit before Special Items margin	2031 Profit before Special Items
Bear	New Units	EUR 4.833bn	2.0%	EUR 5.336bn	8.0%	EUR 0.427bn
Bear	Service	EUR 8.458bn	4.0%	EUR 10.290bn	16.0%	EUR 1.646bn
Bear	Reconciliation	EUR 0.134bn	2.0%	EUR 0.148bn	0.0%	EUR 0.000bn
Base	New Units	EUR 4.833bn	9.0%	EUR 7.436bn	14.0%	EUR 1.041bn
Base	Service	EUR 8.458bn	8.0%	EUR 12.428bn	22.0%	EUR 2.734bn
Base	Reconciliation	EUR 0.134bn	8.0%	EUR 0.197bn	0.0%	EUR 0.000bn
Bull	New Units	EUR 4.833bn	13.0%	EUR 8.904bn	17.0%	EUR 1.514bn
Bull	Service	EUR 8.458bn	10.5%	EUR 13.934bn	25.0%	EUR 3.484bn
Bull	Reconciliation	EUR 0.134bn	10.5%	EUR 0.221bn	0.0%	EUR 0.000bn

Segment totals and arithmetic tie-out

Case	New Units revenue	Service revenue	Reconciliation revenue	Segment revenue	Profit before Special Items	Blended margin	Revenue tie residual
Bear	EUR 5.336bn	EUR 10.290bn	EUR 0.148bn	EUR 15.774bn	EUR 2.073bn	13.14%	EUR 0.000bn
Base	EUR 7.436bn	EUR 12.428bn	EUR 0.197bn	EUR 20.061bn	EUR 3.775bn	18.82%	EUR 0.000bn
Bull	EUR 8.904bn	EUR 13.934bn	EUR 0.221bn	EUR 23.059bn	EUR 4.997bn	21.67%	EUR 0.000bn

Bear arithmetic: EUR 5.336bn + EUR 10.290bn + EUR 0.148bn = EUR 15.774bn. Profit equals EUR 5.336bn × 8.0% + EUR 10.290bn × 16.0% = EUR 2.073bn after rounding. Base arithmetic: EUR 7.436bn + EUR 12.428bn + EUR 0.197bn = EUR 20.061bn. Profit equals EUR 7.436bn × 14.0% + EUR 12.428bn × 22.0% = EUR 3.775bn. Bull arithmetic: EUR 8.904bn + EUR 13.934bn + EUR 0.221bn = EUR 23.059bn. Profit equals EUR 8.904bn × 17.0% + EUR 13.934bn × 25.0% = EUR 4.997bn. Each rollup reconstructs from product assumptions with zero residual at displayed precision.

The base case implies 8.36% segment revenue CAGR from EUR 13.425bn TTM to EUR 20.061bn in exactly five years. The bear implies 3.28%; the bull 11.43%. Service remains the majority of revenue in all cases, accounting for 65.2% in bear, 62.0% in base and 60.4% in bull before the small reconciliation. The service share falls in the bull because rapid New Units delivery precedes the full lifecycle service annuity. That is economically consistent: an equipment boom expands the future installed base before all associated service revenue appears.

11. Key risks and wildcards

Bear — backlog conversion and cancellation. EUR 73bn of backlog looks protective, but delivery can slip because projects lack permits, grid connection, financing, fuel infrastructure or site readiness. Slot reservations are less firm than backlog. The bear case assumes strong near-term delivery followed by slower conversion, not an immediate collapse.

Bear — capacity arrives after peak demand. Medium and large turbine capacity is expanding materially through FY2028 [data_package §4, lines 267-268]. If competitors expand simultaneously and data-center or utility projects are delayed, scarcity pricing can weaken while fixed costs remain. This is the classic equipment-cycle risk.

Bear — long-duration contractual risk. Multi-year equipment and service contracts can lock in price, scope, availability commitments and liquidated damages before final cost is known. Escalation clauses may not cover all labor, materials, tariffs or logistics. A single difficult project is manageable; a systematic error across a turbine cohort can erase margin.

Bear — fleet reliability or warranty event. The service moat concentrates technical accountability. Hot-section, combustor, blade, generator or control problems repeated across a fleet could require upgrades, outage compensation or warranty provisions. Product-level warranty sensitivity is not disclosed in the data package. [DATA GAP: Gas Services warranty provisions and platform-specific failure exposure are not separately disclosed.]

Bear/Base — customer advances and cash timing. Customer payments currently support cash flow [data_package §6, lines 318-329]. Advances are economically tied to future execution. Deliveries can consume working capital even while accounting profit grows, so extrapolating current cash conversion would overstate steady-state economics.

Bear/Base — decarbonization and lower utilization. The IEA expects renewables and nuclear to supply half of global generation by 2030, even while gas generation grows [IEA Electricity 2026](https://www.iea.org/reports/electricity-2026/executive-summary). Some gas assets may run fewer hours and serve peaks. More starts and flexibility upgrades can support service, but fewer operating hours can reduce parts consumption and make long-term contracts harder to justify.

Base/Bull — data-center demand becomes physical orders. Siemens Energy disclosed meaningful data-center-related commitments in the package, but the terminal case depends on customers turning announced gigawatts into financed, permitted projects. The IEA's evidence supports strong load growth and onsite gas interest, while also emphasizing physical bottlenecks [IEA data-center update](https://www.iea.org/news/data-centre-electricity-use-surged-in-2025-even-with-tightening-bottlenecks-driving-a-scramble-for-solutions). Conversion, not announcement volume, is the key monitor.

Bull — service flywheel. Each new turbine can create decades of maintenance, parts and upgrade demand. If new units operate at high utilization and customers adopt long-term agreements, Service could compound above its 9.79% FY2023-FY2025 rate and mix toward higher-value work. The bull case captures this with 10.5% Service CAGR and 25% Profit before Special Items margin.

Bull/Base — pricing and productivity. Competitor evidence shows price and productivity driving power margins across the industry, while Siemens Energy says processed backlog quality improved. Sustained lean gains, qualified suppliers and factory learning could make the base margin conservative. Conversely, because the tailwind is industry-wide, it may attract capacity and ultimately self-correct.

Wildcard — hydrogen, carbon capture and alternative fuels. Fuel flexibility could extend the economic life of gas assets and generate upgrades. It could also prove uneconomic relative to renewables, storage, nuclear or grid investment. Competitor hydrogen roadmaps mean the feature is strategically necessary but unlikely to be exclusive. No incremental terminal revenue is separately credited.

Wildcard — policy, tariffs and localization. Turbines and their components cross borders, while customers often demand local manufacturing. Tariffs, export controls, sanctions and local-content rules can raise cost or restrict bids. They can also protect incumbents with an established local footprint. The case impact depends on contract pass-through and manufacturing location, neither of which is separately disclosed for Gas Services.

Wildcard — steam and generator mix. The segment includes gas turbines, steam turbines, generators and heat pumps, but only New Units and Service revenue is disclosed [data_package §1, lines 98-111; §4, lines 229-246]. A mix shift among those products can change margin even if total New Units revenue meets the model. [DATA GAP: gas-turbine, steam-turbine, generator, heat-pump, digital and consulting revenue are not separately disclosed.]

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	EUR 15.774bn	Profit before Special Items	13.14%	EUR 2.073bn	25%
Base	EUR 20.061bn	Profit before Special Items	18.82%	EUR 3.775bn	55%
Bull	EUR 23.059bn	Profit before Special Items	21.67%	EUR 4.997bn	20%

The non-uniform 25% / 55% / 20% weights reflect the evidence rather than equal uncertainty: base receives the majority weight because four consecutive quarters show growth and three of the last four show mid-to-high-teens margins while backlog covers most near-term revenue; bear retains a larger tail weight than bull because contract leakage, fleet issues and post-ramp overcapacity can jointly impair both revenue and margin; bull remains the smallest weight because it needs persistent scarcity, high reservation conversion and an unverified 25% Service margin simultaneously.

The segment is one of the strongest earnings engines in Siemens Energy's current portfolio, but its exceptional order intake and backlog should not be mistaken for an unconstrained perpetuity. The base case gives substantial credit to backlog conversion, improved contract quality, capacity expansion and the service flywheel while forcing growth to decelerate after the disclosed capacity ramp. The critical underwriting debate is not whether demand is strong today; the verified data settle that. It is whether management converts a multi-year obligation book into high-teens Profit before Special Items margins without fleet defects, contract leakage or an industry capacity overshoot.

Appendix B3 - Siemens Gamesa

Siemens Gamesa — Segment Deep Dive

Run ID: `pulse-cio-20260911T040231+0800` Mode: Production Stage-0 information date: 2026-09-11 TTM anchor: 2026-06-30 Exact five-year terminal date: 2031-06-30 Reporting currency: EUR Exact segment profit metric: `Profit before Special Items` Statutory bridge SHA-256: `2c26d671c9e5ee55860e94e17cf4834fea1762827cf22362ff6f39d43360d320` Scenario probabilities: Bear 25%, Base 55%, Bull 20% `trade_execution_authorized=false`

This appendix underwrites Siemens Gamesa as an operating segment only. It does not rank securities, size a position, recommend a trade, or authorize execution. Company historical and accounting facts come exclusively from the verified `data_package.md` and its sealed statutory bridge. External sources are used only to frame industry and competitor economics.

0. Segment boundary and taxonomy note

Siemens Gamesa remains a reportable segment comprising onshore wind turbines, offshore wind turbines, and operation and maintenance service. The present four-Business-Area taxonomy is stable from FY2023, with FY2022 recast; FY2021 is not comparable and is not spliced into this analysis. From FY2026 the company operationally merged service activities with its onshore and offshore activities, but it did not change the external Siemens Gamesa segment boundary. The finest verified revenue split remains `Wind Turbines or New Units` and `Operation and Maintenance or Service`; onshore and offshore revenue are not separately disclosed in euros. This appendix therefore models the distinct onshore and offshore drivers, but preserves New Units as the auditable financial rollup rather than manufacturing a false onshore/offshore historical split. [data_package §1, taxonomy paragraph; §4, Siemens Gamesa product rows; §10, true non-disclosure flags]

1. What this segment actually is

Siemens Gamesa sells very large engineered assets and then supports them for long periods. The turbine business is not a catalogue sale in which a standard machine leaves a warehouse at a fixed gross margin. An onshore or offshore award normally bundles turbine supply with engineering, manufacturing, transport, erection or installation scope, commissioning, and extensive contractual performance obligations. Revenue timing therefore follows project milestones and delivery progress; cash timing can differ because customers pay advances while suppliers, factories, ports, vessels and site work consume cash on their own schedules.

Onshore is the more modular and geographically dispersed activity. Customers include utilities, independent power producers and project developers. Winning requires a competitive levelized cost of energy, proven reliability, local supply-chain access, financing credibility and the ability to install in the relevant permitting window. The SG 7.0 platform is central to the commercial reset, but first orders do not yet establish field reliability or profitable serial execution. Product proliferation is dangerous: every platform variation adds certification, tooling, spare-parts and engineering complexity. The commercial discipline that matters is therefore not gross megawatts sold but price, contractual protections, standardization and confidence that warranty cost has been captured.

Offshore is more concentrated, larger-ticket and more execution-sensitive. Customers commit to multiyear wind-farm programs involving developers, governments, grid operators, ports, installation vessels and many suppliers. Turbines are larger and logistics are specialized. A schedule slip can strand costly resources, while design or serial-production defects can propagate across a platform. The attraction is scale: a successful platform can create substantial factory throughput and a long service tail. The risk is the same scale operating in reverse, turning a design weakness or a poorly priced contract into a large, long-lived obligation.

Service covers operation and maintenance over the wind farm lifecycle. The economic ingredients include scheduled maintenance, parts, field labor, remote monitoring, availability commitments and corrective work. A mature installed base should ordinarily make service more recurring and higher margin than new equipment. That intuition needs an important caveat at Siemens Gamesa: service contracts can inherit the same platform quality problems as equipment. Reliability failures increase technician visits, parts, cranes, transport and compensation under availability guarantees. Consequently, service revenue can be resilient while service profit disappoints.

Go-to-market is relationship-heavy and balance-sheet-intensive. Developers need confidence that a supplier will still be capable of providing spares and honoring warranties after a project enters operation. Performance guarantees, advance-payment guarantees and parent support are therefore commercial tools as well as financing obligations. Siemens Energy's EUR 9bn committed guarantee facility and the early redemption of the German counter-guarantee improve flexibility, but they do not make guarantees free. A serious execution relapse could increase collateral demands, price guarantee capacity more tightly or constrain new business precisely when the segment needs high-quality orders. [data_package §8, financing control]

2. Current economics

Verified TTM revenue is EUR 10.368bn, the sum of the four reported quarters from Q4 FY2025 through Q3 FY2026: EUR 2.744bn, EUR 2.355bn, EUR 2.526bn and EUR 2.743bn. TTM `Profit before Special Items` is negative EUR 0.318bn, for a margin of negative 3.1%. The profit figure is sealed in the statutory bridge; it is not statutory operating income and must not absorb corporate, special-item or acquisition-amortization lines. [data_package §5, Siemens Gamesa quarterly table sourced to Q4-25, Q1-26, Q2-26 and Q3-26 official Business Area tables; §3a, TTM_OFFICIAL_SCHEDULE bridge line]

The sequential improvement is striking but not yet structural proof. Quarterly margin progressed from negative 11.0% in Q4 FY2025 to negative 2.0% in Q1, negative 1.7% in Q2 and positive 2.7% in Q3 FY2026. Management still held FY2026 Siemens Gamesa guidance at break-even `Profit before Special Items`. Q3 was the first positive quarter since FY2022, while backlog fell from EUR 36bn to EUR 34bn, EUR 33bn and EUR 31bn over the same four quarters. Order intake of EUR 1.123bn, EUR 1.556bn, EUR 0.846bn and EUR 1.050bn totaled only EUR 4.575bn against EUR 10.368bn of TTM revenue, an approximately 0.44x order-to-revenue ratio. The improvement therefore combines real productivity and cost progress with a severe order-coverage deterioration that can surface later. [data_package §5, Q4-25 through Q3-26 official Siemens Gamesa quarterly and order-intake tables; §6, 2026-08-05 Siemens Gamesa guidance rows]

The last dollar-disclosed product mix is FY2025: New Units EUR 7.996bn and Service EUR 2.379bn, respectively 77.1% and 22.9% of the EUR 10.375bn segment total. Applying that verified FY2025 mix solely as an analytical allocation to the verified EUR 10.368bn TTM total yields EUR 7.991bn of New Units and EUR 2.377bn of Service. These are forecast anchors, not issuer-disclosed TTM product figures. They reconcile exactly to TTM segment revenue and avoid pretending that onshore/offshore TTM dollars were published. [data_package §4, AR23-AR25 Note 26 Siemens Gamesa product rows; §5, Q4-25 through Q3-26 quarterly revenue]

Capital intensity is high in absolute terms and unusually entangled with contract finance. Siemens Gamesa additions to property, plant, equipment and intangibles were EUR 783m, EUR 724m, EUR 655m and EUR 586m from FY2022 through FY2025. FY2025 additions equaled 5.6% of segment revenue, above the Group's 4.4% capex-to-revenue rate. Segment operating assets were negative EUR 1.236bn at FY2025 under the issuer definition after interest-free liabilities and advances. That negative figure does not mean the business requires no capital; it shows how customer funding and operating liabilities affect the accounting measure. [data_package §0a, AR23-AR25 Note 26 segment-capital table; §7, FMP-CF-A and AR25 Group capex table]

The balance-sheet burden remains material. At FY2025 Siemens Gamesa had EUR 2.474bn of warranty provisions and EUR 0.984bn of onerous-contract provisions, a combined EUR 3.458bn, equal to 33% of FY2025 segment revenue. The combined stock fell from EUR 3.836bn at FY2024, but remained EUR 1.424bn above FY2022 and the cash runoff continued. Quality cash out was EUR 101m in Q1 FY2026 and EUR 147m in Q2; Siemens Gamesa free cash flow pre tax was negative EUR 1.717bn for 9M FY2026. An earnings recovery can therefore precede cash recovery by years. [data_package §0a, AR23-AR25 provision notes; §8, P1-26, P2-26 and P3-26 cash-retention disclosures]

Siemens Gamesa provision stock, EUR bn	FY2022	FY2023	FY2024	FY2025
Warranties	1.408	1.961	2.636	2.474
Order-related losses / onerous contracts	0.626	1.628	1.200	0.984
Combined stock	2.034	3.589	3.836	3.458

The history matters more than the latest decline alone: the combined stock surged 76% in FY2023, rose another 7% in FY2024, and then declined 10% in FY2025. The FY2025 reduction is consistent with remediation progress, but it is not evidence that the loss population has disappeared. [data_package §0a, wind-risk inventory sourced to AR23-AR25 provision notes]

3. Unit economics

New Units: price and scope minus execution cost

New-unit revenue becomes `Profit before Special Items` only after a long chain of costs: steel, castings, blades, towers and nacelle components; factory labor and overhead; engineering; inbound and outbound logistics; installation; commissioning; project-management cost; and the expected cost of warranty and contractual performance obligations. Offshore adds ports, heavy-lift vessels, marine weather windows and more concentrated project risk. A small percentage error on a multiyear contract can overwhelm apparent gross profit.

Five mechanisms determine whether the New Units pool earns money. First is contract price and indexation. Higher headline pricing matters only if escalation clauses protect against commodities, wages, freight and delays. Second is platform maturity. A standardized, validated platform reduces engineering changes, rework and field failures. Third is serial throughput. Stable factory load spreads fixed engineering, tooling and plant costs. Fourth is delivery discipline across suppliers and sites. Fifth is the quality reserve embedded when revenue is recognized. An optimistic reserve makes early margin look better but moves the loss into later warranty periods.

The current accounting evidence says remediation remains economically central. A EUR 3.458bn combined FY2025 Siemens Gamesa warranty and onerous-contract provision stock is 10.9 times the TTM segment loss and roughly six times the Base terminal annual profit in this appendix. That stock is not a forecast expense to deduct again automatically; much was already recognized. It is a cash and estimate-risk reservoir. If actual repair scope exceeds booked assumptions, the excess becomes a new profit charge. If scope is contained, cash use can remain heavy without an equivalent new P&L charge. [data_package §0a, AR25 provision note; §3a, TTM_OFFICIAL_SCHEDULE]

Every 100 basis points of terminal margin on Base revenue of EUR 11.501bn equals about EUR 115m of annual `Profit before Special Items`. This sensitivity is the appropriate scale for thinking about quality, price/mix or execution. A recurring EUR 250m adverse cost is not a rounding error: it is 217 basis points of Base terminal margin. Conversely, eliminating one year of provision-funded cash use does not automatically add the same amount to reported segment profit.

Service: recurring revenue with embedded reliability exposure

Service has better structural economics because the installed fleet creates repeat demand, technicians and spares networks benefit from density, and software or remote diagnostics can prevent failures. It also offers customer intimacy that supports repowering and new-unit sales. Competitor economics show the potential: Vestas guided its Service segment to a 15.5%-17.5% EBIT margin before special items in 2026, while retaining a 25% long-term Service ambition. The comparison is directional because Vestas' metric, fleet, contract mix and allocation differ from Siemens Gamesa's `Profit before Special Items`. [Vestas 2026 financial outlook](https://www.vestas.com/en/investor/reports-and-presentations/financial)

But service is not automatically a safe annuity. Long-term availability agreements shift downtime and repair risk to the supplier. A problematic platform can require blades, bearings, cranes, technician travel and customer compensation. Underpricing that risk at contract inception creates long-tail losses. Service-margin recovery therefore depends on a commercial reset, better diagnostics, contract repricing where possible, and demonstrably improved platform reliability. Growth alone can destroy value if it adds underpriced availability exposure.

Working capital, advances and guarantees

The cash model is path-dependent. Customer advances can make an order cash-positive before delivery, but the cash finances future production and performance. Siemens Energy contract liabilities rose from EUR 22.321bn at FY2025 to EUR 28.071bn at Q3 FY2026, driven principally by strong Gas and Grid orders at Group level; these balances cannot be assigned to Siemens Gamesa. For wind, a declining backlog can reduce advance inflows while legacy projects and quality work still consume cash. That is the unfavorable working-capital crossover: accounting profit improves, but fewer new advances and higher delivery activity pull cash out. [data_package §8, AR25 balance sheet and Q3-26 official statement]

Guarantees create another nonlinear exposure. They support bids and customer advances, but claims or rating pressure can convert contingent capacity into collateral or cash needs. The model does not invent a guarantee-utilization figure for Siemens Gamesa because none is disclosed. Instead, it treats tighter guarantee terms as a Bear-case amplifier: lower new-order conversion, weaker advance funding and additional financing cost, without placing a fabricated euro amount in segment profit.

4. Competitive dynamics

The relevant competitor set differs by activity. Vestas is the clearest global benchmark across onshore, offshore and service. GE Vernova is important in onshore, repowering, service and the execution of a remaining offshore backlog. Nordex competes strongly in onshore markets. Goldwind and MingYang embody the scale and pricing pressure from Chinese manufacturers, especially where local content and financing matter. Developers also have substitution power: they can defer projects, resize them, change suppliers, shift capital to solar and storage, or demand stronger contractual protection.

The industry is growing, but supplier prosperity does not follow mechanically. GWEC reported a record 165 GW of wind installations in 2025, including 155.3 GW onshore and 9.3 GW offshore, and projects 969 GW of additions from 2026-2030. Yet one fifth as much offshore capacity was awarded in 2025 as in 2024, reflecting failed auctions, U.S. cancellations and changing Chinese support. [GWEC Global Wind Report 2026](https://www.gwec.net/reports/globalwindreport), [GWEC installation release](https://www.gwec.net/news/global-wind-installations-rise-record-40-as-industry-charts-way-out-of-energy-crisis?hs_amp=true)

The IEA similarly expects 732 GW of onshore additions in 2025-2030 and 140 GW offshore, but cut its offshore forecast 27% from the prior year because costs, policy changes and bankability problems delayed or cancelled projects. This distinction is central to Siemens Gamesa. Long-run turbine demand can rise while a supplier's addressable Western offshore projects slip, reset price, or fail to reach final investment decision. [IEA Renewables 2025, renewable electricity](https://www.iea.org/reports/renewables-2025/renewable-electricity)

Vestas demonstrates what credible recovery can look like and how hard it remains. In FY2025 its Power Solutions revenue rose 10.7% to EUR 15.052bn and EBIT margin before special items reached 5.4%, helped by onshore execution and lower warranty cost, while offshore still bore significant ramp-up and depreciation costs. It ended 2025 with EUR 33.2bn of turbine backlog, including EUR 10.1bn offshore, plus a much larger combined backlog when service was included. Vestas' 2026 group margin outlook was subsequently raised to 7%-9%. These data support positive terminal margins for a repaired Siemens Gamesa, but also show that a mid-single-digit equipment margin is an achievement, not a floor. [Vestas Annual Report 2025](https://www.vestas.com/content/dam/vestas-com/global/en/investor/reports-and-presentations/financial/2025/fy-2025/Vestas%20Annual%20Report%202025.pdf.coredownload.inline.pdf), [Vestas financial outlook](https://www.vestas.com/en/investor/reports-and-presentations/financial)

GE Vernova demonstrates the opposite risk. Its Wind segment reported FY2025 revenue of USD 9.110bn, EBITDA of negative USD 598m, a negative 6.6% margin and backlog down 5% to USD 21.630bn. Management's multiyear outlook then contemplated low-double-digit organic revenue decline through 2028 before reaching a 6% segment EBITDA margin. The metric differs from Siemens Gamesa's and is not used as a direct margin comp, but the pattern is relevant: a major installed base and improving operations do not prevent several years of revenue shrinkage and losses when order quality and platform strategy require repair. [GE Vernova 2025 Annual Report](https://www.gevernova.com/sites/default/files/gevernova_2025_annual_report.pdf), [GE Vernova multi-year outlook](https://www.gevernova.com/news/press-releases/ge-vernova-raises-multi-year-financial-outlook-doubles-dividend-increases-buyback-authorization)

Nordex provides evidence that onshore execution and price reset can produce improving economics without offshore exposure. Its FY2025 order intake in Projects was EUR 9.321bn and reported EBITDA margin was 8.4%. That does not establish Siemens Gamesa's attainable margin because scope and profit metrics differ, but it shows that disciplined onshore manufacturers need not accept permanently negative economics. [Nordex Integrated Annual Report 2025](https://www.nordex-online.com/wp-content/uploads/sites/4/2026/02/Annual-Integrated-Report-2025_ENG.pdf)

Substitution operates at two levels. Other wind OEMs can replace Siemens Gamesa in a project, subject to certification and redesign cost. Solar, storage, gas, nuclear, interconnection or demand response can replace the project in an energy portfolio. The IEA expects solar to account for almost 80% of global renewable capacity additions through 2030, so wind must compete not merely on turbine price but on system value and deliverability. [IEA Renewables 2025 executive summary](https://www.iea.org/reports/renewables-2025/executive-summary)

5. Moat at the segment level

Siemens Gamesa has assets that could support a moat, but current evidence does not establish a durable economic moat. Offshore engineering expertise, a large installed base, long customer relationships, certified platforms, manufacturing footprints and service infrastructure are genuine entry barriers. The parent balance sheet and guarantee access are also important because developers cannot risk selecting a supplier that lacks capacity to execute or support a project for decades.

The critical distinction is between capability and value capture. A moat must protect margins and returns, not merely preserve participation. FY2022-FY2025 margins of negative 6.3%, negative 47.8%, negative 17.8% and negative 13.1% show that Siemens Gamesa repeatedly failed to convert technical and installed-base advantages into economic profit. The negative 47.8% FY2023 margin is evidence of nonlinear quality and project risk, not an ordinary cyclical trough. [data_package §3, Siemens Gamesa historical table]

Service can become the strongest moat if reliability stabilizes. Proprietary data, technician density, parts availability and intimate fleet knowledge make switching difficult. However, the same installed base creates an obligation when designs underperform. The segment's service moat is therefore contingent: it strengthens only when field performance turns the installed fleet into high-retention service revenue rather than a channel for warranty cost.

Onshore's moat is narrower. Local supply chains, permitting experience and service density matter, but global and regional competitors offer capable products. SG 7.0 could restore relevance, yet first orders are the beginning of a validation cycle. A five-to-ten-year moat case requires repeat orders at rational prices, serial production, field availability and service pull-through. None can be inferred from one positive quarter.

The Base case therefore assumes a repairable franchise, not a protected compounder. The Bull case assumes that standardization and reliability restore conditional pricing power and service economics. The Bear case assumes barriers keep Siemens Gamesa in the market but fail to stop adverse contract selection, weak utilization and recurring quality cost. Until the company demonstrates several profitable cohorts and cash conversion after provision runoff, segment-level moat status should remain unresolved rather than declared.

6. Historical growth rates

The table reproduces the verified data package. Because it contains three annual observations, “three-year historical CAGR” below means the two-year CAGR from FY2023 to FY2025, not a fabricated third interval. No onshore/offshore euro split is added.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	Three-year historical CAGR	Most recent YoY	Data package cite
Siemens Gamesa total	EUR 9.092bn [§3 SG revenue row]	EUR 10.008bn [§3 SG revenue row]	EUR 10.375bn [§3 SG revenue row]	6.8% [§3 SG revenue row]	3.7% [§3 SG YoY row]	data_package §3; AR23-AR25 Business Area tables
Wind Turbines / New Units	EUR 7.032bn [§4 SG New Units row]	EUR 7.565bn [§4 SG New Units row]	EUR 7.996bn [§4 SG New Units row]	6.7% [§4 SG New Units row]	5.7% [§4 SG New Units row]	data_package §4; AR23-AR25 Note 26
Operation and Maintenance / Service	EUR 2.059bn [§4 SG Service row]	EUR 2.441bn [§4 SG Service row]	EUR 2.379bn [§4 SG Service row]	7.5% [§4 SG Service row]	-2.5% [§4 SG Service row]	data_package §4; AR23-AR25 Note 26
Onshore	Not separately disclosed [§10 true non-disclosure]	Not separately disclosed [§10 true non-disclosure]	Not separately disclosed [§10 true non-disclosure]	Not calculable [§10 true non-disclosure]	Directionally down in Q4 FY2025; no rate [§4 directional table]	data_package §4 and §10; Q4-25 official release
Offshore	Not separately disclosed [§10 true non-disclosure]	Not separately disclosed [§10 true non-disclosure]	Not separately disclosed [§10 true non-disclosure]	Not calculable [§10 true non-disclosure]	Directionally up in Q4-Q3; no rates [§4 directional table]	data_package §4 and §10; Q4-25 to Q3-26 official releases

Arithmetic checks pass within 2%. Segment: EUR 9.092bn × 1.101 = EUR 10.010bn versus EUR 10.008bn, then EUR 10.008bn × 1.037 = EUR 10.378bn versus EUR 10.375bn. New Units: EUR 7.032bn × 1.0758 = EUR 7.565bn, then EUR 7.565bn × 1.0570 = EUR 7.996bn. Service: EUR 2.059bn × 1.1855 = EUR 2.441bn, then EUR 2.441bn × 0.9746 = EUR 2.379bn. Differences are rounding, not inconsistencies. No row is back-solved. [data_package §3 and §4, AR23-AR25 Business Area tables and Note 26]

The annual growth record is less informative than it first appears. FY2024's 10.1% segment growth coincided with a negative 17.8% margin; FY2025's 3.7% growth coincided with a negative 13.1% margin. Revenue expansion did not cure contract and quality economics. Conversely, the TTM margin improved sharply on virtually flat revenue versus FY2025, supporting the view that execution and cost quality matter more than volume alone. [data_package §3, AR24 and AR25 Siemens Gamesa profitability tables; §3a, TTM_OFFICIAL_SCHEDULE]

7. Management guidance

Every quote below is reproduced from verified data-package Section 6. No recording, transcript cache or memory quote was used.

- **2026-08-05, Christian Bruch, CEO —** “our wind business has returned to profitability in a quarter” [data_package §6, Siemens Gamesa row 1]. This is an important milestone, but it describes one quarter and does not claim full-cycle profitability or cash normalization.

- **2026-08-05, corporate release —** “productivity gains and increased cost efficiency” [data_package §6, Siemens Gamesa row 2]. This supports modeling real operational improvement; it does not quantify how much is repeatable after backlog and mix change.

- **2026-08-05, corporate release —** “Profit before Special items at break-even” [data_package §6, Siemens Gamesa row 3]. This is the FY2026 anchor. The Base path begins near zero rather than annualizing Q3's 2.7% margin.

- **2026-05-12, corporate release —** “first orders for the SG 7.0 platform” [data_package §6, Siemens Gamesa row 4]. The platform restart is commercially relevant but early. The model gives it no unverified unit, ASP or cancellation assumption.

- **2026-05-12, corporate release —** “productivity improvements and increased cost efficiency” [data_package §6, Siemens Gamesa row 5]. Repetition across Q2 and Q3 raises confidence that improvement was not purely timing, but it remains short-cycle evidence.

- **2026-02-11, corporate release —** “timing effects offsetting throughout the year” [data_package §6, Siemens Gamesa row 6]. This is a direct warning against extrapolating a quarterly result. The annual forecast therefore uses staged margin recovery.

- **2025-11-13, corporate release —** “execution of low margin contracts in the onshore business” [data_package §6, Siemens Gamesa row 7]. Legacy backlog conversion remains a near-term drag. Base assumes the drag fades rather than disappearing instantly.

- **2025-11-13, annual-report outlook —** “cash effect of the provisions made for quality issues” [data_package §6, Siemens Gamesa row 8]. This separates accounting earnings from cash. The scenario cash overlays below do not add provision use to profit a second time.

[DATA GAP: The issuer did not provide a text transcript or segment-head transcript, and the verified package contains no quantified Siemens Gamesa FY2027 revenue, product margin, order-intake, warranty-cash or backlog-conversion guide.]

8. Forward growth assumptions

Modeling bridge from verified TTM

The financial anchor is EUR 10.368bn TTM segment revenue. The analytical TTM allocation is EUR 7.991bn New Units and EUR 2.377bn Service, using only the verified FY2025 mix. Onshore and Offshore are separately reasoned drivers inside New Units, but no fabricated TTM euro split is assigned. This constraint makes the forecast less cosmetically granular and more auditable. [data_package §4, AR25 Note 26; §5, Q4-25 through Q3-26 revenue]

Base case growth assumptions

Product / driver	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Onshore driver within New Units	Not calculable	Directionally mixed; Q4 down	Break-even segment; first SG 7.0 orders	1.0% directional driver	Platform restart offsets legacy run-off, but field proof and order recovery take years.
Offshore driver within New Units	Not calculable	Directionally up in Q4-Q3	No numeric product guide	2.5% directional driver	Industry grows, but project delays and ramp complexity prevent market-rate extrapolation.

Product / driver	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
New Units financial rollup	6.7%	5.7% FY2025	Segment break-even only	1.5%	Backlog decline and low-margin conversion offset price, productivity and later platform recovery.
Service	7.5%	-2.5% FY2025	No numeric service guide	4.0%	Installed-base demand and offshore additions support growth after reliability and commercial reset.
Segment total	6.8%	3.7% FY2025; TTM broadly flat	FY2026 Profit before SI break-even	2.1%	Revenue grows below industry installations because backlog coverage falls and execution is prioritized over volume.

The Base New Units CAGR of 1.5% is far below the 6.7% FY2023-FY2025 CAGR because backlog fell from EUR 36bn to EUR 31bn in nine months and the last four quarters' EUR 4.575bn of order intake covered only 44% of EUR 10.368bn revenue. Offshore industry expansion is real, but the IEA's 27% forecast cut demonstrates that supplier revenue can lag the capacity pipeline. Onshore gets only a modest positive driver until SG 7.0 establishes field performance. Service grows faster than equipment as the fleet ages, but below Vestas' strategic ambition because Siemens Gamesa must first repair contract and reliability economics. [data_package §4, AR23-AR25 Note 26; §5, Q4-25 through Q3-26 official tables]

The Base annual path is deliberately smooth for arithmetic, while economic delivery will be lumpy.

Period ending June 30	New Units revenue	Service revenue	Segment revenue	Segment YoY
TTM 2026	EUR 7.991bn	EUR 2.377bn	EUR 10.368bn	Anchor
2027	EUR 8.110bn	EUR 2.472bn	EUR 10.583bn	2.1%
2028	EUR 8.232bn	EUR 2.571bn	EUR 10.804bn	2.1%
2029	EUR 8.356bn	EUR 2.674bn	EUR 11.030bn	2.1%
2030	EUR 8.481bn	EUR 2.781bn	EUR 11.262bn	2.1%
2031	EUR 8.608bn	EUR 2.892bn	EUR 11.501bn	2.1%

Bull case growth assumptions

Product / driver	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Onshore driver within New Units	Not calculable	Directionally mixed; Q4 down	First SG 7.0 orders	4.0% directional driver	SG 7.0 validates on schedule, enabling repeat orders without sacrificing price.
Offshore driver within New Units	Not calculable	Directionally up in Q4-Q3	No numeric product guide	6.0% directional driver	Award conversion and serial ramp capture part of the global offshore acceleration.
New Units financial rollup	6.7%	5.7% FY2025	Segment break-even only	5.0%	Backlog stabilizes, price/mix improves and mature platforms raise factory utilization.
Service	7.5%	-2.5% FY2025	No numeric service guide	6.5%	Reliability improves, service attach rises and installed-base density creates operating leverage.
Segment total	6.8%	3.7% FY2025; TTM broadly flat	FY2026 Profit before SI break-even	5.35%	Growth roughly tracks GWEC's five-year wind-market CAGR without assuming share gains or ASP inflation.

The Bull case is not an unbounded offshore boom. Segment CAGR of 5.35% is close to GWEC's projected 5.2% market CAGR for 2026-2030, while New Units growth remains below the recent disclosed 6.7% historical rate. The differentiator is order quality and execution: projects convert at rational prices, reliability prevents new provision waves, and service captures the installed base.

Period ending June 30	New Units revenue	Service revenue	Segment revenue	Segment YoY
TTM 2026	EUR 7.991bn	EUR 2.377bn	EUR 10.368bn	Anchor
2027	EUR 8.390bn	EUR 2.532bn	EUR 10.922bn	5.3%

Period ending June 30	New Units revenue	Service revenue	Segment revenue	Segment YoY
2028	EUR 8.810bn	EUR 2.697bn	EUR 11.506bn	5.3%
2029	EUR 9.250bn	EUR 2.872bn	EUR 12.122bn	5.4%
2030	EUR 9.713bn	EUR 3.058bn	EUR 12.771bn	5.4%
2031	EUR 10.198bn	EUR 3.257bn	EUR 13.455bn	5.4%

Bear case growth assumptions

Product / driver	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Onshore driver within New Units	Not calculable	Directionally mixed; Q4 down	First SG 7.0 orders	-2.0% directional driver	Platform validation or bankability disappoints, leaving underutilized capacity and weak orders.
Offshore driver within New Units	Not calculable	Directionally up in Q4-Q3	No numeric product guide	-7.0% directional driver	Cancellations, award delays and ramp failures shrink conversion despite long-run demand.
New Units financial rollup	6.7%	5.7% FY2025	Segment break-even only	-4.5%	EUR 31bn backlog erodes, orders remain below revenue and guarantee terms constrain bids.
Service	7.5%	-2.5% FY2025	No numeric service guide	-1.0%	Installed-base revenue is resilient, but contract exits and reliability disruption overwhelm nominal pricing.
Segment total	6.8%	3.7% FY2025; TTM broadly flat	FY2026 Profit before SI break-even	-3.65%	The path resembles controlled franchise shrinkage, not liquidation, and is less severe than GE Vernova's low-double-digit decline outlook.

The Bear case does not assume invented cancellations. It asks what revenue results if low order intake persists, platform trust repairs slowly and Siemens Gamesa refuses or cannot win uneconomic projects. Service declines only 1% annually because the installed base remains, but it does not fully offset equipment contraction.

Period ending June 30	New Units revenue	Service revenue	Segment revenue	Segment YoY
TTM 2026	EUR 7.991bn	EUR 2.377bn	EUR 10.368bn	Anchor
2027	EUR 7.631bn	EUR 2.354bn	EUR 9.985bn	-3.7%
2028	EUR 7.288bn	EUR 2.330bn	EUR 9.618bn	-3.7%
2029	EUR 6.960bn	EUR 2.307bn	EUR 9.266bn	-3.7%
2030	EUR 6.647bn	EUR 2.284bn	EUR 8.930bn	-3.6%
2031	EUR 6.347bn	EUR 2.261bn	EUR 8.608bn	-3.6%

Backlog conversion and capacity constraint

Opening backlog is EUR 31bn at Q3 FY2026, almost three times TTM revenue, but the trend is negative and the duration and margin profile are not disclosed. Base assumes annual orders recover toward revenue as new platforms prove themselves, producing a terminal backlog around EUR 24bn. Bull assumes orders exceed revenue late in the horizon and backlog returns near EUR 32bn. Bear assumes sustained under-booking and a terminal backlog around EUR 15bn. These are scenario diagnostics, not management guidance; they make the revenue paths internally intelligible without assigning unit counts, ASPs or cancellation rates. [data_package §5, Q3-26 Siemens Gamesa Business Area table]

Capacity is valuable only if profitable orders use it. Offshore serial production and onshore platform restart require stable factories and suppliers, yet filling plants with low-price or immature designs recreates the loss cycle. Base therefore accepts low revenue growth as the cost of commercial discipline. Bull requires both demand and mature execution. Bear combines weak orders with inefficient absorption.

9. Forward `Profit before Special Items` margin assumptions

The current TTM margin on the exact sealed basis is negative 3.1%. No corporate, unallocated, special-item or acquisition-amortization adjustment is allocated into Siemens Gamesa. Historical and current product margins are not

disclosed. To make the terminal rollup auditable without mislabeling estimates as issuer data, the model uses explicit analytical New Units and Service margin allocations whose weighted average equals the terminal segment margin. [data_package §3a, TTM_OFFICIAL_SCHEDULE; §10, product-profit non-disclosure]

Case	TTM margin	2031 margin on `Profit before Special Items`	Change	Primary mechanisms
Bear	-3.1%	-5.0%	-190 bps	Backlog shrinkage, weak factory absorption, fresh quality charges and offshore slippage exceed savings.
Base	-3.1%	5.0%	+807 bps	Legacy contracts run off, price/mix improves, service grows and reliability costs normalize gradually.
Bull	-3.1%	9.0%	+1,207 bps	Mature platforms, strong execution, service leverage and contained warranty costs approach best credible peers.

The Base 5% terminal margin is close to Vestas Power Solutions' FY2025 5.4% EBIT margin before special items, but includes Siemens Gamesa service inside the segment. It is intentionally below Vestas' 10% long-term group ambition because Siemens Gamesa must carry offshore ramp and quality risk. The Bull 9% margin assumes a repaired franchise but stops below an effortless double-digit conclusion. The Bear negative 5% margin is consistent with a business whose service base survives while new-equipment economics remain impaired.

Case	New Units 2031 modeled margin	New Units 2031 modeled profit	Service 2031 modeled margin	Service 2031 modeled profit	Segment modeled profit	Revenue-weighted segment margin
Bear	-8.00%	EUR -0.508bn	3.44%	EUR 0.078bn	EUR -0.430bn	-5.00%
Base	2.50%	EUR 0.215bn	12.44%	EUR 0.360bn	EUR 0.575bn	5.00%
Bull	6.00%	EUR 0.612bn	18.40%	EUR 0.599bn	EUR 1.211bn	9.00%

These product margins are analytical allocations, not disclosed history. The Bear assigns an 8% New Units loss because low factory absorption, offshore slippage and new quality charges overwhelm a still-positive but reliability-burdened Service result. Base requires New Units to cross modestly into profit as legacy contracts run off and assigns Service a 12.44% margin, below Vestas' 2026 Service guide because Siemens Gamesa still carries remediation and commercial-reset costs. Bull requires 6% New Units execution plus an 18.40% Service margin: above Vestas' near-term 15.5%-17.5% guide but well below its 25% long-term ambition. At full precision the revenue weighting produces -5.00%, 5.00% and 9.00%, respectively; displayed product profits are rounded.

Profit bridge from TTM to 2031, EUR bn	Bear	Base	Bull
TTM `Profit before Special Items`	-0.318	-0.318	-0.318
Legacy low-margin contract and quality-drag runoff	+0.200	+0.350	+0.500
Price, procurement, productivity and standardization	+0.088	+0.250	+0.400
Service mix and commercial reset	+0.050	+0.120	+0.180
Volume, capacity utilization and fixed-cost absorption	-0.250	+0.150	+0.250
New quality, platform and execution cost relative to TTM	-0.200	+0.023	+0.199
Terminal `Profit before Special Items`	-0.430	+0.575	+1.211

The bridge is an analytical attribution, not a claim that Siemens Gamesa reports these lines. It reconciles to scenario profit within EUR 2m of rounding. In Base, most of the improvement comes from stopping legacy destruction and executing better, not heroic revenue growth. In Bull, the segment captures EUR 1.529bn of improvement from the TTM loss, but still earns only 9% on EUR 13.455bn. In Bear, some remediation benefits are real yet overwhelmed by under-absorption and renewed quality cost.

Warranty, onerous-contract and long-tail cash overlay

The FY2025 EUR 3.458bn provision stock is an opening obligation, not a forecast expense to deduct twice. The following scenario overlay distinguishes new profit charges from cash use of already recognized provisions. [data_package §0a, AR25 provision note]

Five-year risk overlay, EUR bn	Bear	Base	Bull
Cumulative cash use of existing and replenished quality / onerous provisions	3.2	2.2	1.5
Cumulative new adverse `Profit before Special Items` charges embedded in paths	1.2	0.4	0.15
Terminal annual reliability contingency embedded in margin	0.30	0.15	0.08
Working-capital and advance profile	Persistent outflow	Normalizes after FY2028	Turns positive after FY2027
Guarantee effect	Tighter capacity and collateral risk	Facility remains available	Better execution improves terms

These figures are bounded scenario assumptions, not disclosed estimates. Bear cash use approaches the opening stock and includes replenishment after new failures; Base assumes substantial runoff with contained but nonzero new charges; Bull still spends EUR 1.5bn because even successful remediation consumes cash. The figures should be used by synthesis to model cash conversion, not added again to segment profit. The model intentionally leaves platform-level timing as a data gap.

The critical monitoring rule is two-dimensional. A declining provision stock is good only if field reliability and cash out also improve. A positive margin is good only if it is not financed by under-reserving future repairs. The most persuasive evidence would be multiple profitable quarters, positive segment free cash flow pre tax after quality cash, stable or rising high-quality backlog, and no new platform provision wave.

10. Segment rollup

The rollup uses the verified TTM total and the disclosed FY2025 product mix for the analytical starting allocation. New Units captures Onshore and Offshore because their historical euro split is not disclosed; both drivers were explicitly modeled in Section 8. Section 9's analytical product margins are applied to the auditable New Units and Service revenue lines on the exact `Profit before Special Items` basis and revenue-weight to the segment margin.

Case	New Units 2031 revenue	Service 2031 revenue	Segment 2031 revenue	`Profit before Special Items` **margin**	**Segment** `Profit before Special Items`
Bear	EUR 6.347bn	EUR 2.261bn	EUR 8.608bn	-5.0%	EUR -0.430bn
Base	EUR 8.608bn	EUR 2.892bn	EUR 11.501bn	5.0%	EUR 0.575bn
Bull	EUR 10.198bn	EUR 3.257bn	EUR 13.455bn	9.0%	EUR 1.211bn

Arithmetic reconciliation passes. Bear product revenue sums to EUR 8.608bn and the product-profit bridge yields negative EUR 0.430bn at a weighted negative 5.0%. Base sums to EUR 11.500bn before display rounding and EUR 11.501bn at full precision; the product-profit bridge yields EUR 0.575bn at 5.0%. Bull sums to EUR 13.455bn; the product-profit bridge yields EUR 1.211bn at 9.0%. All discrepancies are below 0.01% and arise only from displayed rounding, comfortably within the 1% contract.

Scenario interpretation

Bear: Revenue shrinks but does not disappear. Service provides a floor, yet equipment backlog and factory load decline. The segment repeatedly replenishes warranty or onerous-contract provisions, cash remains negative, and guarantees become a constraint on bids or advances. A 5% loss on EUR 8.608bn produces negative EUR 430m of annual `Profit before Special Items` at the endpoint. This is a damaged-franchise outcome, not an insolvency forecast.

Base: Management's FY2026 break-even objective is achieved near term but does not immediately jump to peer margins. Revenue compounds only 2.1%, reflecting backlog decline and project discipline. Legacy low-margin contracts and known quality work run off over several years; SG 7.0 and offshore production mature without a major new defect wave. Service grows 4%, and terminal margin reaches 5%. Annual segment profit is EUR 575m, while cumulative provision cash use of EUR 2.2bn means reported recovery materially precedes cash recovery.

Bull: Siemens Gamesa participates in global wind growth without requiring share gains. Product standardization and reliable serial execution restore bankability. New Units compounds 5%, Service 6.5%, and terminal margin reaches 9%. EUR 1.211bn of terminal profit is economically meaningful, but still requires several years of flawless execution and does not erase historical cash losses.

The probability-weighted terminal operating result is EUR 11.169bn of revenue and EUR 0.451bn of `Profit before Special Items` when weighting scenario outputs directly. That corresponds to a 4.0% ratio on probability-weighted revenue, but it is not a separate scenario and should not replace the three discrete paths in consolidated synthesis.

The 25% Bear / 55% Base / 20% Bull weights are deliberately non-uniform. Base receives a majority because three consecutive quarters of large margin improvement, repeated management references to productivity and cost efficiency, and a lower FY2025 provision stock are real evidence of repair; it does not receive a dominant 70%-plus weight because the 0.44x trailing order-to-revenue ratio, falling backlog and negative 9M cash flow make the terminal recovery fragile. Bear is weighted above Bull because a EUR 3.458bn provision reservoir, platform opacity and under-booking can create nonlinear downside. Bull remains material rather than token because Q3 profitability, SG 7.0 first orders, industry growth and visible peer profitability make successful repair plausible. [data_package §0a, AR25 provision note; §5, Q4-25 through Q3-26; §6, dated management commentary]

Two-sided challenge prevents the weights from merely ratifying the central case. The excessive-optimism challenge is that Base simultaneously needs order coverage to recover, no new major defect cohort, New Units to become profitable, Service to reach 12.44% and EUR 2.2bn of provision cash use to remain fundable; failure of any two would push the result toward Bear. The excessive-bearishness challenge is that Bear assumes both five years of revenue contraction and a terminal equipment loss despite operational improvement, a large installed service base and long-run wind demand; if order intake normalizes above 0.8x revenue without new provisions, the Bear weight should fall rather than being defended by the FY2023 loss indefinitely.

11. Key risks and wildcards

- **Platform reliability — Bear dominant.** A design weakness can propagate across a fleet, forcing retrofit, replacement, availability compensation and new provisions. The absence of platform-level failure-rate and cash-timing disclosure prevents precise loss modeling. Monitoring should focus on new provision additions, field availability and whether cash use exceeds the runoff implied by the existing stock.

- **Legacy contract conversion — Base and Bear.** Low-margin onshore contracts remain in backlog. Revenue can rise as they execute while profit and cash stay weak. The key question is not simply when they finish, but whether delay, inflation or scope change produces incremental charges.

- **Backlog depletion — all cases.** Backlog fell EUR 5bn from FY2025 to Q3 FY2026 and order intake in the last four quarters was far below revenue. Base requires order recovery; Bull requires recovery at improved economics; Bear tests sustained under-booking. Project-specific conversion and cancellation data are not disclosed. [data_package §0a and §5, AR25 and Q4-25 through Q3-26 official tables]

- **Offshore award cycle and bankability — Bear/Bull.** Global capacity forecasts rise sharply, yet auctions and projects have been cancelled or delayed. A successful award cycle can fill factories and create service tails; failed auctions can leave underutilized capacity after substantial preparation spending.

- **SG 7.0 validation — Bear/Bull.** First orders are positive commercial evidence, not reliability evidence. Serial production, supplier quality, commissioning and multi-season field operation determine whether the platform repairs onshore competitiveness.

- **Service contract reset — Base/Bull.** Repricing, exclusions and better diagnostics can turn the installed base into recurring profit. Aggressive guarantees or continuing component failures can instead turn service growth into a larger liability.

- **Input and logistics inflation — Bear.** Steel, blades, castings, labor, freight and vessels can move after contracts are signed. Indexation and supplier terms determine who absorbs the difference. The model embeds this in price/mix and new execution costs rather than inventing a commodity beta.

- **Capacity and supplier execution — all cases.** Too little capacity forfeits deliveries; too much capacity weakens absorption. Offshore bottlenecks and specialized suppliers create correlated schedule risk. Bull requires serial learning, not just capital spending.

- **Working capital and customer advances — Bear/Base.** A declining order book can reduce advance inflows just as quality remediation and backlog execution consume cash. Group contract liabilities cannot be assigned to Siemens Gamesa, so the forecast avoids assuming wind receives the Group's advance-funded cash benefit.

- **Guarantees and financing — Bear.** Performance and advance-payment guarantees are necessary to compete. Facility availability is supportive, but execution problems could increase cost, collateral requirements or bid constraints. No Siemens Gamesa utilization figure is disclosed.

- **Chinese competition and localization — Bear.** Chinese OEM scale can pressure pricing and influence local-content decisions. Western certification, bankability and trade barriers can slow penetration, but they are not permanent shields. Markets may segment rather than converge.

- **Policy, permitting and grid connection — Bear/Bull.** Faster permitting and bankable auctions unlock the industry forecast. Policy reversals, higher financing costs or delayed grid connections postpone orders and revenue, with especially severe effects on offshore project timing.

- **Accounting estimate risk — Bear.** Provisions require assumptions about failure populations, repair scope, cost inflation and contract outcomes. A lower provision balance does not by itself prove the underlying obligation has vanished. Cash, field data and new-charge behavior must corroborate the accounting.

- **Single-quarter extrapolation — Base discipline.** Q3's positive 2.7% margin is encouraging, but management itself kept the full-year guide at break-even and earlier cited timing effects. The model refuses to annualize Q3 or treat it as evidence that structural uncertainty has ended. [data_package §5, Q3-26; §6, 2026-08-05 and 2026-02-11 official releases]

Data gaps preserved

- [DATA GAP: Siemens Gamesa onshore and offshore revenue are not separately disclosed in dollars; only New Units and Service are auditable financial lines.]
- [DATA GAP: Turbine units, ASPs, order cancellation rates and project-level backlog gross margins are not disclosed in the verified package.]
- [DATA GAP: Platform-level failure rates, warranty cash timing and remaining remediation populations are not disclosed.]
- [DATA GAP: Siemens Gamesa-specific guarantee utilization, collateral and advance-payment balances are not disclosed.]
- [DATA GAP: Historical and current product-level `Profit before Special Items` margins for New Units, Onshore, Offshore and Service are not disclosed. Section 9's terminal product margins are analytical allocations used only to reconcile the scenario rollup.]
- [DATA GAP: No quantified FY2027 segment revenue, order-intake or cash-flow guide is available in the verified package.]

Summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	EUR 8.608bn	`Profit before Special Items`	-5.0%	EUR -0.430bn	25%
Base	EUR 11.501bn	`Profit before Special Items`	5.0%	EUR 0.575bn	55%
Bull	EUR 13.455bn	`Profit before Special Items`	9.0%	EUR 1.211bn	20%

The segment has moved from acute accounting loss toward operational break-even, but the underwriting burden remains unusually high. EUR 3.458bn of opening warranty and onerous-contract provisions, negative EUR 1.717bn of 9M FY2026 free cash flow pre tax, a EUR 5bn backlog decline and true non-disclosure of onshore/offshore economics make one positive quarter insufficient evidence of a durable turnaround. The Base case can reach a 5% terminal margin with only 2.1% revenue growth, but it requires disciplined ordering, platform reliability, service repair and years of provision-funded cash out. That is a plausible recovery, not a proven moat. [data_package §0a, AR25 provision note; §5, Q3-26; §8, P3-26]

Appendix B4 - Transformation of Industry

Transformation of Industry — Segment Deep Dive

Run ID: `pulse-cio-20260911T040231+0800` Mode: Production Information date: 2026-09-11 TTM anchor: year ended 2026-06-30 Exact forecast horizon: 2031-06-30 Reporting currency: EUR; amounts are EUR millions unless stated otherwise Exact segment profit metric: `Profit before Special Items` Sealed statutory bridge SHA-256: `2c26d671c9e5ee55860e94e17cf4834fea1762827cf22362ff6f39d43360d320` `trade_execution_authorized=false`

0. Segment boundary, taxonomy, and model conventions

Transformation of Industry, or TI, comprises four operating businesses: Sustainable Energy Systems; Electrification, Automation and Digitalization; Industrial Steam Turbines and Generators; and Compression. TI is not formally an IFRS reportable segment. It is a voluntary aggregation of four operating but non-reportable segments presented by Siemens Energy as if it were one Business Area. That distinction matters because the aggregation is commercially useful but does not prove that the four businesses share one economic moat, one cycle, or one natural ownership perimeter. The current boundary began on October 1, 2022, when the former Gas and Power segment was divided into Gas Services, Grid Technologies, and TI. FY2022 was recast, FY2021 was not, and no current-TI dollar series is spliced to the legacy taxonomy. From FY2023 through the TTM period, the four-business presentation is stable. [data_package §1, lines 98-111]

The TTM segment anchor is EUR 5,866m of revenue, calculated only from the verified quarterly schedule: Q4 FY2025 EUR 1,614m, Q1 FY2026 EUR 1,303m, Q2 FY2026 EUR 1,422m, and Q3 FY2026 EUR 1,527m. TTM `Profit before Special Items` is EUR 720m in the sealed bridge, implying a 12.3% margin. [data_package §5, Transformation of Industry quarter table rows 293-296; §3a, TTM bridge row 200] Product-level TTM revenue is not disclosed. To produce a reconstructable four-business forecast without inventing historical product data, this appendix normalizes the verified FY2025 four-business mix onto the verified EUR 5,866m TTM total. The resulting TTM modeling allocations—EUR 244m Sustainable Energy Systems, EUR 1,434m Electrification/Automation/Digitalization, EUR 1,669m Industrial Steam Turbines and Generators, and EUR 2,519m Compression—are explicitly model allocations, not issuer-reported TTM product results.

On August 25, 2026 Siemens Energy announced that it had begun preparations for TI's legal and operational separation, initially as a standalone company, and intended in a second step to explore a new ownership structure with the objective of deconsolidation while retaining a meaningful minority stake. The announcement described possibilities ranging from external investors to a capital-markets transaction; it did not announce a signed sale, a completed spin, proceeds, a valuation, or a closing timetable. This appendix therefore treats separation as a perimeter scenario with recurring dis-synergies and capital needs. It assigns no free value, no sale proceeds, and no automatic multiple uplift. The operating forecasts remain on the sealed `Profit before Special Items` basis so they can be consolidated by the synthesis stage. [Siemens Energy, 25 August 2026 standalone-company announcement](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-is-starting-preparations-for-business-area-transf.html)

1. What this segment actually is

TI sells the machinery and control architecture that allow industrial customers to move, convert, electrify, automate, and decarbonize energy inside plants. Its customers include oil and gas producers, LNG and pipeline operators, refiners, chemical and petrochemical plants, pulp and paper mills, cement and metals producers, maritime operators, data-center developers, utilities with industrial cogeneration needs, and engineering/procurement/construction contractors. The common thread is not a single end market. It is the need for reliable rotating equipment and electrical systems in high-cost, continuous-process environments where downtime can exceed the purchase price of the machine.

Sustainable Energy Systems. This business contains electrolyzers and adjacent systems used to produce low-emissions hydrogen. Its commercial model is project-led. Revenue is driven by engineering scope, electrolyzer stacks or modules, balance-of-plant integration, installation support, and potentially lifecycle service. Customers make investment decisions only after power supply, hydrogen offtake, policy support, certification, financing, and infrastructure are sufficiently firm. The addressable pipeline can therefore be enormous while near-term executable demand remains small. The business had only EUR 242m of FY2025 revenue, or about 4% of the disclosed four-business total, so rapid percentage growth does not yet move the whole segment much. [data_package §4, row 243]

Electrification, Automation and Digitalization, or EAD. EAD supplies electrical systems, motors and drives, automation, controls, and digital tools that improve plant reliability and energy consumption. Sales can be standalone products, engineered systems, modernization projects, or software-enabled service. The economic value to a customer comes from lower energy use, better process stability, less unplanned downtime, and a controllable path from mechanical to electrical drive. The go-to-market is consultative and often pulls together domain engineers, local sales, project execution, and service. That breadth is useful, but it also brings TI into direct competition with much larger automation and electrification portfolios at ABB, Schneider Electric, Emerson, Honeywell, Rockwell Automation, and Siemens AG.

Industrial Steam Turbines and Generators, or STG. STG sells steam turbines, generators, and related systems for industrial power, heat, mechanical drive, and combined heat and power. The product is engineered around a customer's steam conditions, process heat balance, reliability requirements, and fuel or waste-heat source. New equipment can be large, lumpy, and competitively bid. The installed equipment then creates a long-lived service opportunity for inspections, parts, repairs, controls, efficiency upgrades, and life extension. Decarbonization is not uniformly a threat: electrification can substitute for some mechanical or thermal applications, but efficient cogeneration, waste-heat recovery, biomass, geothermal, and process-steam optimization can extend the relevance of industrial turbines.

Compression. Compression is the largest named business. It provides turbo and reciprocating compression systems plus associated drivers, controls, and service for LNG, pipelines, upstream and downstream oil and gas, petrochemicals, carbon capture, industrial gases, maritime, and emerging hydrogen applications. Equipment is usually mission-critical and highly specified. The sales cycle can run through EPC contractors, but the end user ultimately cares about efficiency, reliability, availability, and service response. Compression has the clearest combination of a cyclical equipment order book and durable aftermarket economics. A large LNG or pipeline wave can lift orders and factory loading for years; a project deferral cycle can leave an abrupt hole.

Across all four businesses, pricing is a mixture of transactional product pricing, negotiated project bids, long-term service agreements, time-and-material repair, spare parts, upgrade packages, and digital subscriptions or monitoring. New-equipment competition is generally intense because customers can compare capital cost. Service pricing is stronger where the original manufacturer owns machine-specific intellectual property, parts designs, field data, and safety qualifications. TI's central underwriting question is therefore not simply whether industrial decarbonization grows. It is whether the portfolio can convert that growth into a sufficiently high service mix and disciplined project margins after it bears the full cost of being independent.

2. Current economics

TI has moved from recovery economics to respectable industrial margins. Revenue rose from EUR 4,080m in recast FY2022 to EUR 5,723m in FY2025, while `Profit before Special Items` increased from EUR 45m to EUR 646m and margin rose from 1.1% to 11.3%. [AR23-AR25 segment tables; data_package §3, Transformation of Industry rows 153-158] The TTM ended June 2026 reached EUR 5,866m revenue and EUR 720m of `Profit before Special Items`, a 12.3% margin. This is a stronger starting point than the segment's three-year average, but it should not be mistaken for an uncapped structural margin: Q3 FY2026's 14.3% included positive project-related one-offs, and management retained a full-year FY2026 margin guide of 11%-13%. [Q4-25 through Q3-26 Business Area tables and corporate releases; data_package §5 rows 291-296; §6 rows 349-351]

Current-economics metric	Verified value	Interpretation	Controlling source and data-package cite
TTM revenue	EUR 5,866m	Sum of four verified quarters	Q4-25 through Q3-26 Business Area tables; §5 rows 291-296
TTM Profit before Special Items	EUR 720m	Exact sealed segment metric	TTM_OFFICIAL_SCHEDULE; §3a row 200
TTM Profit before Special Items margin	12.3%	EUR 720m divided by EUR 5,866m	TTM_OFFICIAL_SCHEDULE and Q4-25 through Q3-26; §3a row 200; §5 rows 291-296
FY2025 New Units external revenue	EUR 3,091m	Equipment-heavy broad category	AR25 Note 26; §4 row 239
FY2025 Service external revenue	EUR 2,449m	Service and digital offerings	AR25 Note 26; §4 row 240
FY2025 operating assets	EUR 1,689m	Segment definition after operating liabilities	AR25 Note 26; §0a row 78
FY2025 capex and intangible additions	EUR 67m	1.2% of FY2025 segment revenue	AR25 Note 26; §0a row 82
Q3 FY2026 backlog	EUR 8bn	Roughly 1.36 times TTM revenue	Q3-26 Business Area table; §0a row 59

Current-economics metric	Verified value	Interpretation	Controlling source and data-package cite
TTM order intake	EUR 6,271m	Sum of Q4 FY2025 through Q3 FY2026	Q4-25 through Q3-26 Business Area tables; §5 row 309
TTM book-to-bill	1.07 times	Orders modestly above revenue	Q4-25 through Q3-26 Business Area tables; §5 rows 291-296 and 309

The FY2025 external-revenue split implies service was 44.2% of the New Units plus Service disclosure. It is not a perfect reconciliation to segment revenue: the two lines total EUR 5,540m versus EUR 5,723m of segment revenue because the segment number includes intersegment revenue and the external product table has its own assignment perimeter. The four named business lines total EUR 5,824m, also on a different disclosure scope. Those mismatches are why the forward model normalizes business weights to the TTM segment total rather than treating the product table as an additive statutory schedule. [data_package §1, lines 100-109; §4, rows 239-248]

Named business	FY2025 disclosed revenue	Share of four-business disclosed total	TTM modeling allocation	Allocation status
Sustainable Energy Systems	EUR 242m	4.2%	EUR 244m	Modeled from FY2025 mix
Electrification, Automation and Digitalization	EUR 1,424m	24.5%	EUR 1,434m	Modeled from FY2025 mix
Industrial Steam Turbines and Generators	EUR 1,657m	28.5%	EUR 1,669m	Modeled from FY2025 mix
Compression	EUR 2,501m	42.9%	EUR 2,519m	Modeled from FY2025 mix
Segment total	EUR 5,824m disclosed-scope sum	100.0%	EUR 5,866m verified TTM	TTM total is verified; allocation is modeled

Capital intensity looks low on the narrow additions measure—EUR 67m was only 1.2% of FY2025 revenue—but that does not mean TI is a capital-free compounder. Segment operating assets were EUR 1,689m, equal to 29.5% of FY2025 revenue. The segment also consumes engineering labor, R&D, bid bonds and guarantees, work in progress, testing capacity, inventories of long-lead components, and service infrastructure. Some of those needs appear in operating working capital or group functions rather than the capex line. The separation makes the distinction more important: independently funded IT, treasury, tax, insurance, compliance, legal, procurement, brand, HR, and public-company infrastructure can be economically real even when they are not called manufacturing capex.

The quarterly pattern demonstrates both breadth and lumpiness. Q4 FY2025 revenue grew 19.8%, Q1 FY2026 was nearly flat at 0.5%, Q2 grew 5.4%, and Q3 grew 11.5%. Margins moved from 11.0% to 11.8%, 12.0%, and 14.3%. Backlog stayed near EUR 8bn. [data_package §5, rows 291-296] That is consistent with a diversified project and service portfolio, not a smooth subscription model. It also means a single strong quarter should not set the terminal run rate.

3. Unit economics

TI's unit economics are best understood as a two-layer system: project equipment establishes or expands the installed base; service monetizes availability, efficiency, compliance, and life extension over many years. The new-equipment layer carries material bid, engineering, supply-chain, and execution risk. The service layer usually carries better incremental margins, lower customer-acquisition cost, and less volatile demand, but it is not automatic. Customers can self-maintain, use independent service providers, dual-source spares, or rebid long-term agreements if OEM pricing becomes excessive.

For **Compression**, the revenue unit is often a train or package rather than an off-the-shelf compressor. Gross margin depends on the selected technology, customization, metallurgy, driver and controls scope, bought-out content, factory loading, logistics, and liquidated-damages exposure. A large LNG project can require substantial engineering before shipment and generate milestone payments; margin recognition may therefore be sensitive to project progress and estimates at completion. Once installed, the machine's uptime value supports service pricing. Inspections, overhauls, spares, rotor work, controls upgrades, and performance optimization can recur. The attractive lifetime economics come from retaining service share, not from winning equipment at any price.

For **Industrial Steam Turbines and Generators**, configuration complexity and thermal-efficiency guarantees are important. Standardization can improve engineering reuse and factory throughput, while site-specific steam conditions and legacy interfaces prevent full commoditization. New-equipment margin can be thin when EPCs focus on capital cost. Service margin is supported by long asset lives and the customer's reluctance to accept reliability risk. However, service demand can be

deferred during weak industrial cycles, and a gradual move to direct electrification can reduce new mechanical-drive opportunities.

For **EAD**, hardware margins compete with broad electrical and automation vendors, so value must come from application know-how, systems engineering, commissioning, and lifecycle optimization. Drives, motors, controls, and digital monitoring reinforce one another: a customer may accept a higher initial price if the integrated solution lowers energy consumption or downtime. Yet digital revenue is not necessarily software-like. It can be embedded in a project, bundled with equipment, or require expensive domain engineering and cybersecurity support. Margin expands if reusable software and remote service scale faster than headcount; it contracts if every site remains a bespoke integration.

For **Sustainable Energy Systems**, current economics are the least proven. Electrolyzer manufacturing faces scale-up cost, stack performance and degradation risk, balance-of-plant complexity, warranty exposure, and a customer base whose projects often depend on subsidies or regulated demand creation. Low factory utilization is particularly damaging because manufacturing capacity is built ahead of firm orders. Conversely, a standardized platform, large recurring orders, disciplined milestone terms, and service capture could move the business from loss-making incubation to positive contribution. This optionality is real but should not be capitalized as though the order pipeline were a contracted backlog.

The segment's margin improved by more than 1,100 basis points from FY2022 through the TTM period. The data package attributes recent improvement to better margin quality in processed backlog, while Q3 also benefited from positive project-related one-offs. [data_package §3, rows 157-158; §6, rows 349 and 353] The durable mechanisms are better bid discipline, completion of older low-margin work, higher service mix, engineering reuse, procurement savings, factory utilization, and pricing. The fragile mechanisms are project timing, provision releases, milestone mix, and favorable close-out settlements. Base-case underwriting gives credit to the former but not to annual recurrence of the latter.

Working capital can move in the opposite direction from accounting profit. Customer advances help fund long-cycle equipment before delivery, but those balances are obligations to execute, not surplus equity. If equipment bookings slow, advance inflows can reverse before service cash flow compensates. If the standalone entity must provide its own guarantees or collateral, capital needs could rise even with unchanged `Profit before Special Items`. This is why the forecast models a recurring separation burden and does not treat FY2025 capex as the entire reinvestment requirement.

4. Competitive dynamics

Compression

Compression is a concentrated contest among global OEMs with installed fleets, specialized engineering, and service networks. Baker Hughes is the most direct broad competitor in LNG, pipeline, refinery, petrochemical, hydrogen, and carbon-capture compression. Atlas Copco competes through its Gas and Process franchise; Everllence, Elliott Group, Mitsubishi Heavy Industries, and regional Chinese suppliers add pressure in selected applications. The basis of competition is rarely just compressor efficiency. Customers compare the complete train, driver choice, controls, reference installations, guaranteed availability, delivery slot, localization, service response, and bankability of performance guarantees.

Baker Hughes illustrates both the opportunity and the threat. In Q2 2026 its Industrial & Energy Technology orders doubled year on year to USD 7.1bn and backlog reached USD 37.1bn, supported by power systems and LNG, while the company announced additional capacity. That evidence supports a healthy gas-infrastructure cycle, but it also shows a well-capitalized peer expanding against the same opportunity. [Baker Hughes Q2 2026 results](https://investors.bakerhughes.com/news/press-releases/news-details/2026/Baker-Hughes-Announces-Second-Quarter-2026-Results/default.aspx) Atlas Copco's 2025 annual report said gas and process compressor demand remained robust in most regions but orders declined against a strong prior year; it explicitly names Siemens and Everllence as its principal gas-and-process competitors. This is a useful cycle check: robust underlying demand does not prevent annual order declines after a strong comparison. [Atlas Copco 2025 annual report](https://www.atlascopcogroup.com/content/dam/atlas-copco/group/documents/investors/financial-publications/english/atla-2025-12-31-1-en-preview.xhtml.coredownload.inline.xhtml)

Pricing power is highest when the customer needs a proven reference for an extreme application, a compatible upgrade to an installed train, or a delivery slot during an industry bottleneck. It is weakest in standardized equipment and greenfield projects where EPCs can rebid specifications. Chinese competition may be most disruptive in price-sensitive standard applications, but qualification, international service, and whole-life efficiency remain barriers in critical service.

Electrification, Automation and Digitalization

EAD competes in much broader and more modular markets. ABB, Schneider Electric, Siemens AG, Rockwell Automation, Emerson, Honeywell, Mitsubishi Electric, and numerous local systems integrators can each cover parts of the stack. ABB's 2025 financial report recorded orders up 14% in Electrification and 33% in Automation, evidence that the same structural demand is already attracting strong incumbents. [ABB 2025 financial report](https://library.e.abb.com/public/b292a84b973f444a821a629d668bdf1f/ABB%20Annual%20Reporting%20Suite%202025%20-%20Consolidated%20file.pdf) ABB also frames industrial electrification, decarbonization, data-center architecture, and automation as core growth markets, directly overlapping TI's opportunity set. [ABB investor growth framework](https://global.abb/group/en/investors/abb_equity_story/growth)

TI's differentiation is strongest where controls, electrical drive, and rotating equipment must be engineered as one industrial system. Its disadvantage is breadth and channel scale relative to pure electrification leaders. Open protocols and customer demands for vendor neutrality reduce switching costs at the control layer. Cybersecurity, local installed support, and process know-how restore some stickiness, but only if TI continues to invest in software and connectivity after separation.

Industrial Steam Turbines and Generators

STG faces Mitsubishi Heavy Industries/Mitsubishi Power, GE Vernova, Toshiba, Ansaldo Energia, Everllence, Triveni Turbine, and other regional suppliers. Entry barriers include aerodynamic and materials engineering, rotor manufacturing, overspeed and safety validation, generator integration, reference plants, and field-service capability. However, many industrial customers can specify competitive tenders, and mature turbine technology limits pure intellectual-property rents.

Demand is a blend of replacement, efficiency upgrades, process-industry investment, waste-heat recovery, cogeneration, biomass, geothermal, and conventional fuel projects. The U.S. Department of Energy notes that steam turbines can serve both electric generation and mechanical drives and that combined heat-and-power configurations can reach very high total efficiency; this supports continued industrial relevance even under decarbonization. [U.S. DOE 2025 CHP steam-turbine fact sheet](https://betterbuildingssolutioncenter.energy.gov/sites/default/files/attachments/CHP_Steam_Turbines.pdf) The counterweight is direct electrification: where high-efficiency motors can economically replace steam-driven machinery or fossil steam generation, the new-unit pool can shrink.

Sustainable Energy Systems

Electrolyzers have the strongest headline growth narrative and the weakest current industry structure. Competitors include thyssenkrupp nucera, Nel, ITM Power, Accelera by Cummins, Plug Power, John Cockerill, Electric Hydrogen, Topsoe in adjacent technologies, and a large group of Chinese alkaline-electrolyzer manufacturers. Technology competition spans alkaline, proton-exchange membrane, solid oxide, and emerging architectures. Customers care about stack efficiency, degradation, dynamic operation, pressure, footprint, availability, service, and the balance-of-plant package—not only factory dollars per kilowatt.

The IEA's 2026 Global Hydrogen Review is the appropriate restraint on optimistic pipelines. Installed electrolysis capacity doubled in 2025 to more than 4 GW, but new final investment decisions fell below 0.8 million tonnes per year of hydrogen production, the announced 2030 production pipeline shrank to 27 million tonnes, and more than 100 GW of announced electrolyzer capacity risked missing 2030 without decisions by end-2027. The IEA also describes electrolyzer manufacturing as entering consolidation because deployment has lagged factory capacity. [IEA Global Hydrogen Review 2026, production](https://www.iea.org/reports/global-hydrogen-review-2026/production) Therefore TI's SES can grow fast from EUR 244m without becoming a high-margin business. Base-case growth requires firm offtake and funded projects; the bear case assumes continued overcapacity and cancellations.

5. Moat at the segment level

TI has a **moderate, uneven moat**, not one portfolio-wide fortress. The strongest protection resides in installed-base service for critical rotating equipment. Compression trains and industrial turbines are designed for long service lives, and downtime can be extremely expensive. Machine-specific parts, engineering drawings, control logic, condition data, field experience, and safety qualifications reduce the customer's willingness to switch. A global service network also creates response-time advantages that a new entrant cannot quickly replicate.

The second protection is **reference risk**. LNG, pipeline, petrochemical, maritime, hydrogen, and process-industry customers prefer equipment proven under similar pressure, temperature, gas composition, duty cycle, and environmental conditions. This slows entry into the highest-consequence applications. It also favors suppliers able to provide performance guarantees and remain solvent for decades. The protection is strongest for a tightly integrated compressor or turbine package and

weakest for modular electrical components.

The third protection is **systems integration**. TI can combine rotating equipment, motors, generators, electrification, automation, controls, and digital monitoring. That can lower interface risk for a customer and produce a more efficient whole system. The moat exists only when TI's integration is genuinely better than an EPC-led multi-vendor solution. If integration mainly bundles third-party components, customers can disaggregate the bid and push margins down.

EAD's moat is narrower. Process know-how, cybersecurity approvals, installed controls, and local service relationships provide stickiness, but open protocols and capable competitors constrain pricing. SES has the weakest moat today. Electrolyzer stacks face fast technology change, manufacturing overcapacity, policy-dependent demand, and aggressive Chinese pricing. Bankable references and integration capability can matter, but it is premature to assume returns resembling the mature service businesses.

The standalone plan cuts both ways. Entrepreneurial focus could accelerate capital allocation, partnerships, product decisions, and acquisitions in markets that differ from power transmission and large generation. But independence can weaken procurement scale, shared engineering, treasury, guarantees, digital infrastructure, and cross-selling. Siemens Energy itself said TI currently competes for investment against faster-growing group businesses. That is a credible strategic reason for separation, but it is also an admission that TI may need more capital than the group has chosen to allocate. [Siemens Energy standalone-company announcement](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-is-starting-preparations-for-business-area-transf.html)

Over five to ten years, Compression and STG service should remain durable if TI protects intellectual property, parts availability, fleet data, and field capability. EAD can compound with industrial electrification but will face relentless platform competition. SES is an option on eventual hydrogen deployment, not currently a demonstrated moat. The composite conclusion is a durable mid-teens-margin possibility under good execution, not an entitlement. A clean separation must preserve service access and guarantees; otherwise the perceived moat will prove to have depended on group infrastructure.

6. Historical growth rates reproduced from the data package

The current taxonomy provides FY2022 as a recast comparative and FY2023-FY2025 as three complete fiscal-year observations. The table below uses FY2023-FY2025 for product comparability. “Three-year CAGR” means the annualized change across the two intervals within those three fiscal-year observations. Every dollar and reported growth input comes from the cited data-package row; CAGRs and latest YoY are arithmetic calculations from those inputs. The four named businesses and the New Units/Service split have different disclosure scopes and must not be summed together.

Product / sub-segment	FY2023 revenue	FY2024 revenue	FY2025 revenue	Three-year CAGR	Most recent YoY	Controlling source and data-package cite
Transformation of Industry total	EUR 4,439m [§3 row 155]	EUR 5,109m [§3 row 155]	EUR 5,723m [§3 row 155]	13.6% [§3 rows 155-156]	12.0% [§3 row 156]	AR23-AR25 segment tables; §3 rows 153-158
New Units	EUR 2,280m [§4 row 239]	EUR 2,541m [§4 row 239]	EUR 3,091m [§4 row 239]	16.4% [§4 row 239]	21.6% [§4 row 239]	AR23-AR25 Note 26; §4 row 239
Service	EUR 1,959m [§4 row 240]	EUR 2,265m [§4 row 240]	EUR 2,449m [§4 row 240]	11.8% [§4 row 240]	8.1% [§4 row 240]	AR23-AR25 Note 26; §4 row 240
Sustainable Energy Systems	EUR 82m [§4 row 243]	EUR 145m [§4 row 243]	EUR 242m [§4 row 243]	71.8% [§4 row 243]	66.9% [§4 row 243]	AR23-AR25 operating tables; §4 row 243
Electrification, Automation and Digitalization	EUR 1,151m [§4 row 244]	EUR 1,425m [§4 row 244]	EUR 1,424m [§4 row 244]	11.2% [§4 row 244]	-0.1% [§4 row 244]	AR23-AR25 operating tables; §4 row 244
Industrial Steam Turbines and Generators	EUR 1,428m [§4 row 245]	EUR 1,530m [§4 row 245]	EUR 1,657m [§4 row 245]	7.7% [§4 row 245]	8.3% [§4 row 245]	AR23-AR25 operating tables; §4 row 245
Compression	EUR 1,811m [§4 row 246]	EUR 2,069m [§4 row 246]	EUR 2,501m [§4 row 246]	17.5% [§4 row 246]	20.9% [§4 row 246]	AR23-AR25 operating tables; §4 row 246

Arithmetic checks are within the required 2% tolerance:

- Segment total: EUR 4,439m × 1.151 = EUR 5,109m; EUR 5,109m × 1.120 = EUR 5,722m versus EUR 5,723m, a rounding difference.
- New Units: EUR 2,280m × 1.114 = EUR 2,540m; EUR 2,541m × 1.216 = EUR 3,090m versus EUR 3,091m.
- Service: EUR 1,959m × 1.156 = EUR 2,265m; EUR 2,265m × 1.081 = EUR 2,448m versus EUR 2,449m.
- Sustainable Energy Systems: EUR 82m × 1.768 = EUR 145m; EUR 145m × 1.669 = EUR 242m.

- EAD: EUR 1,151m × 1.238 = EUR 1,425m; EUR 1,425m × 0.999 = EUR 1,424m.
- STG: EUR 1,428m × 1.071 = EUR 1,529m versus EUR 1,530m; EUR 1,530m × 1.083 = EUR 1,657m.
- Compression: EUR 1,811m × 1.142 = EUR 2,068m versus EUR 2,069m; EUR 2,069m × 1.209 = EUR 2,501m.

No historical values were back-solved. The disclosed four-business sum was EUR 4,472m in FY2023, EUR 5,169m in FY2024, and EUR 5,824m in FY2025, while reported segment revenue was EUR 4,439m, EUR 5,109m, and EUR 5,723m. The widening EUR 33m, EUR 60m, and EUR 101m differences reflect disclosure scope, elimination, or classification and are not smoothed away. The forecast normalizes the FY2025 business mix once at the TTM anchor and then grows each line explicitly.

The historical pattern makes three points. First, Compression drove a disproportionate share of segment growth and is too cyclical to extrapolate at 17.5% indefinitely. Second, SES can grow at exceptional percentages without materially changing segment economics because its base is small. Third, EAD's flat FY2025 outcome warns that structural electrification does not guarantee annual revenue growth; project timing, customer capex, and competition can dominate in a given year.

7. Management guidance from data-package Section 6

All excerpts below are reproduced only from the verified data package. They are not re-fetched transcript language.

Date, speaker, and data-package row	Verbatim management excerpt	Topic	Interpretation for the model
2026-08-05, corporate release, unattributed; §6 row 348	“all businesses contributing”	Q3 growth breadth	Broad participation supports a diversified base, but it is one quarter, not a terminal growth rate.
2026-08-05, corporate release, unattributed; §6 row 349	“positive project-related one-off effects”	Q3 margin quality	The Q3 FY2026 14.3% margin is not annualized.
2026-05-12, corporate release, unattributed; §6 row 350	“comparable revenue growth of 5% to 7%”	FY2026 TI guidance	This anchors the near term around mid-single digits after FY2025's strong comparison.
2026-05-12, corporate release, unattributed; §6 row 351	“Profit margin before Special items of 11% to 13%”	FY2026 TI margin	The TTM 12.3% margin is inside management's current band.
2026-02-11, corporate release, unattributed; §6 row 352	“Revenue remained nearly unchanged”	Q1 trend	Project phasing can produce flat quarters even with an EUR 8bn backlog.
2025-11-13, corporate release, unattributed; §6 row 353	“improved margin quality of the processed order backlog”	Margin driver	Better bid and backlog mix can support durable improvement if replenished.
2025-11-13, corporate release, unattributed; §6 row 354	“Compression business” generated the primary quarterly revenue growth	Mix	Compression is the largest named business and the main cyclical swing factor.
2025-11-13, AR25 outlook, unattributed; §6 row 355	“around €4 billion ... expected to turn into revenue”	FY2026 conversion	A large share of near-term revenue was scheduled, but the backlog is not a five-year growth guarantee.

Management-commentary coverage is adequate for segment-level FY2026 guidance but not for product-level terminal assumptions. `[DATA GAP: the data package contains no issuer-provided five-year revenue or Profit before Special Items margin targets for the four TI businesses, no product-level order backlog, and no product-level margin disclosure.]` The data package also notes that no segment-head transcript was available. [data_package §6, line 370]

Post-package perimeter development

The August 25 standalone announcement changes the perimeter question, not the historical base. Siemens Energy said it was preparing legal and operational separation, that a later ownership step could seek deconsolidation, and that it intended to retain a meaningful minority. It also said TI competes for investment against faster-growing group businesses and serves markets with different, more transactional customer needs. Those statements support the strategic-flexibility thesis but do not quantify recurring standalone costs, separation capex, stranded group overhead, debt allocation, pension allocation, tax leakage, guarantees, or timing. [Siemens Energy standalone-company announcement](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-is-starting-preparations-for-business-area-transf.html)

The scenario model therefore does not assume a sale. It uses recurring annual perimeter burdens of EUR 150m in bear, EUR 80m in base, and EUR 30m in bull at the 2031 horizon. These are underwriting assumptions, not management guidance.

They represent the cost of independent systems, treasury, insurance, compliance, public-company functions, procurement dis-synergies, and duplicated regional infrastructure net of any faster decision-making benefit. One-time separation charges are special items and are not placed inside `Profit before Special Items`; the recurring independent cost base is economically part of the continuing business and is included.

8. Forward growth assumptions to 2031-06-30

The base, bull, and bear cases compound the four TTM model allocations for exactly five years. The “latest YoY” column uses FY2025 growth because the data package does not disclose numeric Q1-Q3 FY2026 growth by named TI business; Q4 FY2025 rates are available but do not provide a full TTM product bridge. Management's 5%-7% FY2026 guidance applies to TI in aggregate, not to each product. Each table therefore shows that guide as the common near-term segment anchor and makes the product-specific divergence explicit.

Base case growth

Product	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Sustainable Energy Systems	71.8%	66.9%	TI 5%-7%	12.0%	Funded hydrogen projects grow, but pipeline attrition and manufacturing overcapacity force sharp deceleration.
Electrification, Automation and Digitalization	11.2%	-0.1%	TI 5%-7%	4.8%	Electrification and efficiency demand resumes, moderated by broad incumbent competition and project timing.
Industrial Steam Turbines and Generators	7.7%	8.3%	TI 5%-7%	3.8%	Service, cogeneration, and waste heat offset mature equipment and partial substitution by motors.
Compression	17.5%	20.9%	TI 5%-7%	6.0%	LNG and gas infrastructure remain healthy, but growth normalizes as peer capacity expands and comps rise.

Base year-by-year growth is deliberately front-loaded where the current order environment is strongest. SES decelerates from 25% in year one to 15%, 10%, 7%, and 4%; EAD runs 6%, 5%, 5%, 4%, and 4%; STG runs 5%, 4%, 4%, 3%, and 3%; Compression runs 8%, 7%, 6%, 5%, and 4%. This produces terminal revenue of EUR 429m, EUR 1,813m, EUR 2,011m, and EUR 3,370m, respectively.

The SES deceleration is not generic “maturation.” The IEA finds that more than 100 GW of announced electrolyzer capacity could miss 2030 absent near-term investment decisions and that manufacturing is consolidating because deployment trails capacity. [IEA Global Hydrogen Review 2026](https://www.iea.org/reports/global-hydrogen-review-2026/production) The model nevertheless retains double-digit CAGR because installed capacity is still growing from a low base and a small number of large funded projects can move TI's EUR 244m anchor.

EAD's 4.8% CAGR is supported by global electricity demand projected to grow 3.6% annually through 2030, with industrial electrification among the drivers, but held close to market growth because competitors already report strong order momentum. [IEA Electricity 2026 demand](https://www.iea.org/reports/electricity-2026/demand) STG grows more slowly as service and CHP offset technology substitution. Compression grows above global electricity demand because LNG, pipelines, carbon capture, industrial gases, and data-center power create multiple project channels, but the model does not extrapolate FY2025's 20.9% increase.

Bull case growth

Product	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Sustainable Energy Systems	71.8%	66.9%	TI 5%-7%	25.7%	Policy-backed FIDs accelerate, TI wins bankable scale projects, and manufacturing utilization improves.
Electrification, Automation and Digitalization	11.2%	-0.1%	TI 5%-7%	8.0%	Standalone focus speeds product decisions and cross-selling into data centers, process plants, and maritime.

Product	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Industrial Steam Turbines and Generators	7.7%	8.3%	TI 5%-7%	7.0%	High service capture combines with cogeneration, geothermal, biomass, and industrial efficiency orders.
Compression	17.5%	20.9%	TI 5%-7%	10.0%	LNG, gas infrastructure, carbon capture, and data-center power sustain a broader multi-year cycle.

Bull annual growth paths are SES 40%, 30%, 25%, 20%, and 15%; EAD 10%, 9%, 8%, 7%, and 6%; STG 9%, 8%, 7%, 6%, and 5%; and Compression 12%, 11%, 10%, 9%, and 8%. Terminal revenues reach EUR 765m, EUR 2,107m, EUR 2,340m, and EUR 4,055m. The path requires more than end-market growth: TI must preserve group-quality guarantees and service access while gaining decision speed, and the hydrogen business must convert actual FIDs rather than memoranda of understanding.

Baker Hughes' record IET orders and expanding capacity show that a strong Compression bull market is plausible, but also that competitors will add supply. [Baker Hughes Q2 2026 results](https://investors.bakerhughes.com/news/press-releases/news-details/2026/Baker-Hughes-Announces-Second-Quarter-2026-Results/default.aspx) ABB's strong Electrification and Automation orders validate EAD demand, but the bull case assumes TI wins share through application integration rather than simply riding the market. [ABB 2025 financial report](https://library.e.abb.com/public/b292a84b973f444a821a629d668bdf1f/ABB%20Annual%20Reporting%20Suite%202025%20-%20Consolidated%20file.pdf)

Bear case growth

Product	Three-year historical CAGR	Latest YoY	Management FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Sustainable Energy Systems	71.8%	66.9%	TI 5%-7%	-3.3%	Project cancellations, price competition, low utilization, and warranty exposure overwhelm the small base.
Electrification, Automation and Digitalization	11.2%	-0.1%	TI 5%-7%	0.8%	Weak heavy-industry capex and share loss offset efficiency spending.
Industrial Steam Turbines and Generators	7.7%	8.3%	TI 5%-7%	0.4%	Service is resilient, but new units shrink under electrification and industrial recession.
Compression	17.5%	20.9%	TI 5%-7%	1.0%	LNG and pipeline projects pause after the current wave, while capacity additions pressure price.

Bear annual paths are SES 10%, 0%, -10%, -10%, and -5%; EAD 2%, 1%, 1%, 0%, and 0%; STG 2%, 1%, 0%, 0%, and -1%; and Compression 3%, 2%, 1%, 0%, and -1%. Terminal revenues are EUR 206m, EUR 1,492m, EUR 1,702m, and EUR 2,646m. This is not a collapse case. Service and an EUR 8bn starting backlog prevent an immediate revenue cliff. It is a stagnation case in which the installed base protects sales better than it protects margin.

The bear case is consistent with Atlas Copco's report that gas-and-process demand could remain robust while orders declined against a strong prior year. [Atlas Copco 2025 annual report](https://www.atlascopcogroup.com/content/dam/atlas-copco/group/documents/investors/financial-publications/english/atla-2025-12-31-1-en-preview.xhtml.coredownload.inline.xhtml) It is also consistent with the IEA's observation that hydrogen FIDs slowed and announced capacity remains at risk. A messy legal separation compounds the cycle through customer uncertainty, talent loss, weaker guarantees, and duplicated cost.

9. Forward `Profit before Special Items` margin assumptions

The only issuer-disclosed product profitability measure used historically is the segment-wide `Profit before Special Items`. Product margins below are underwriting allocations used to reconstruct the segment, not reported results. The model starts from the verified 12.3% TTM segment margin. It then applies terminal contribution margins by business and deducts recurring standalone overhead. One-time carve-out charges are excluded because they would be Special Items; recurring independent-company costs are included because they persist in continuing operations.

Product or perimeter line	Bear terminal revenue	Bear Profit before Special Items margin	Base terminal revenue	Base Profit before Special Items margin	Bull terminal revenue	Bull Profit before Special Items margin
Sustainable Energy Systems	EUR 206m	-5.0%	EUR 429m	7.0%	EUR 765m	12.0%

Product or perimeter line	Bear terminal revenue	Bear Profit before Special Items margin	Base terminal revenue	Base Profit before Special Items margin	Bull terminal revenue	Bull Profit before Special Items margin
Electrification, Automation and Digitalization	EUR 1,492m	9.0%	EUR 1,813m	13.0%	EUR 2,107m	16.0%
Industrial Steam Turbines and Generators	EUR 1,702m	11.0%	EUR 2,011m	14.0%	EUR 2,340m	17.0%
Compression	EUR 2,646m	11.0%	EUR 3,370m	15.0%	EUR 4,055m	17.0%
Recurring standalone overhead	EUR 150m cost	n/m	EUR 80m cost	n/m	EUR 30m cost	n/m
Segment total after overhead	EUR 6,047m	7.5%	EUR 7,622m	12.8%	EUR 9,267m	16.0%

Bear mechanism. The 7.5% terminal margin is 480 basis points below TTM. SES remains loss-making as low utilization and price pressure prevent absorption of engineering and factory costs. EAD loses mix and pricing against larger platforms. STG and Compression retain double-digit contribution margins because aftermarket service survives, but new-unit under-absorption and customer bargaining reduce profitability. The recurring EUR 150m independence burden equals 2.5% of terminal revenue and assumes procurement dis-synergies, stand-alone guarantees and insurance, duplicated systems, and subscale public-company functions. This scenario explicitly captures stranded-cost risk rather than treating a deconsolidation as pure value release.

Base mechanism. The 12.8% terminal margin is only 50 basis points above TTM despite product-level improvement. Service mix, better project selection, engineering reuse, and backlog discipline raise product contribution, but EUR 80m of recurring independence cost offsets most of the operational leverage. SES becomes modestly profitable only after funded projects fill capacity. EAD earns a low-teens margin rather than software economics because systems engineering and commissioning remain labor-intensive. STG and Compression reach 14%-15% through service and disciplined new-unit pricing, not through a speculative provision release.

Bull mechanism. The 16.0% terminal margin is 370 basis points above TTM and requires simultaneous success: higher service capture, strong factory loading, fewer non-conformance costs, reusable digital tools, favorable project selection, and an efficient standalone setup. SES reaches 12%, still below the mature rotating-equipment businesses. The EUR 30m recurring overhead assumes most separation dis-synergies are offset by simpler governance and focused investment. This is demanding but not a 20%-plus software margin; TI remains an engineered industrial portfolio.

The model does not allocate parent corporate or statutory-bridge adjustments into TI. The group's “Reconciliation to Profit of Siemens Energy,” Special Items, acquisition-intangible amortization, interest, and taxes remain for the synthesis stage under the sealed bridge. Only TI-specific recurring standalone costs enter the segment forecast.

10. Segment rollup and arithmetic tie-out

Case	Sustainable Energy Systems revenue	EAD revenue	STG revenue	Compression revenue	Product revenue sum	Product profit before overhead	Recurring standalone overhead	Segment Profit before Special Items	Segment margin	Tie-out
Bear	EUR 206m	EUR 1,492m	EUR 1,702m	EUR 2,646m	EUR 6,047m	EUR 602m	EUR 150m cost	EUR 452m	7.5%	100.0%
Base	EUR 429m	EUR 1,813m	EUR 2,011m	EUR 3,370m	EUR 7,622m	EUR 1,053m	EUR 80m cost	EUR 973m	12.8%	100.0%
Bull	EUR 765m	EUR 2,107m	EUR 2,340m	EUR 4,055m	EUR 9,267m	EUR 1,516m	EUR 30m cost	EUR 1,486m	16.0%	100.0%

The unrounded calculations are EUR 6,047.071m / EUR 452.320m in bear, EUR 7,622.191m / EUR 972.650m in base, and EUR 9,266.769m / EUR 1,486.024m in bull. Product profit before overhead is the sum of terminal product revenue multiplied by the corresponding margin in Section 9. Deducting recurring standalone overhead yields segment `Profit before Special Items`; dividing by the product revenue sum yields the segment margin. Every case therefore ties within substantially less than 1%.

Case	TTM revenue anchor	TTM+5y revenue	Five-year revenue CAGR	TTM Profit before Special Items margin	TTM+5y Profit before Special Items margin	TTM+5y Profit before Special Items	Probability
Bear	EUR 5,866m	EUR 6,047m	0.6%	12.3%	7.5%	EUR 452m	25%
Base	EUR 5,866m	EUR 7,622m	5.4%	12.3%	12.8%	EUR 973m	55%
Bull	EUR 5,866m	EUR 9,267m	9.6%	12.3%	16.0%	EUR 1,486m	20%

At provisional weights of 25% bear, 55% base, and 20% bull, probability-weighted TTM+5y revenue is EUR 7,557m and probability-weighted `Profit before Special Items` is EUR 945m, a 12.5% ratio of weighted profit to weighted revenue. This is an operating expectation, not a valuation and not a trade recommendation. It deliberately gives no credit for sale proceeds, a retained minority valuation, or a conglomerate-discount release.

11. Key risks and wildcards

[Bear] Separation and stranded-cost risk. The announced plan is preparatory. Legal entities, transfer pricing, intellectual-property ownership, shared sites, pensions, data, cybersecurity, guarantees, insurance, treasury, tax, and employee consultation can all take longer and cost more than headline carve-out language suggests. A deconsolidation can also leave costs at Siemens Energy that do not migrate cleanly; this appendix captures only costs borne by TI, while the synthesis stage must consider parent stranded cost separately. A transaction before systems are ready could disrupt bids and service response.

[Bear/Base] Guarantee and capital availability. Large equipment and EPC-style projects require performance guarantees, advance-payment guarantees, letters of credit, and adequate working capital. A standalone TI without the same group balance sheet could face higher fees, stricter collateral, smaller bid capacity, or customer concern. External investors might solve the problem, but their capital is neither committed nor free. The narrow FY2025 capex figure does not answer this funding need.

[Bear] Compression cycle reversal. Compression produced the strongest FY2025 named-business growth and was identified as the main quarterly driver. LNG, pipeline, upstream, and petrochemical projects are vulnerable to commodity prices, permitting, geopolitics, EPC inflation, and customer capital discipline. Peers are expanding capacity into current strength. A late-cycle order slowdown can arrive before service revenue compensates, particularly if TI discounts new equipment to protect factories.

[Base/Bull] Gas infrastructure durability. Security of supply, LNG trade, pipeline modernization, data-center power, and carbon capture can sustain compression demand even as energy systems decarbonize. Some decarbonization pathways require more compression, not less: CO2 transport, hydrogen, ammonia, and industrial gases all move molecules. The wildcard is whether TI can win these applications at returns comparable with traditional gas projects.

[Bear] Hydrogen project attrition. Announced hydrogen projects frequently lack firm offtake, power, infrastructure, or subsidy certainty. The IEA's shrinking pipeline and slowing FIDs imply that manufacturing capacity can remain underutilized. SES could absorb cash, warranty costs, and engineering resources while contributing little segment revenue. A technological shift or aggressive Chinese pricing could also impair the value of existing manufacturing investments.

[Bull] Hydrogen inflection. A small number of large, funded refining, fertilizer, shipping-fuel, or industrial-hub projects could increase SES revenue quickly from its EUR 244m modeled TTM base. Success requires bankable performance and balance-of-plant execution. The bull case does not require SES to become the segment's largest business, only to reach EUR 765m with a 12% contribution margin by 2031.

[Bear/Base] Service-share erosion. Independent service providers and customer self-maintenance can attack mature fleets. Digital monitoring can increase OEM stickiness, but open data standards can also make it easier for third parties to compete. If TI wins equipment with weak contractual service attachment, the installed base may not translate into attractive lifetime economics. Service mix is a quality variable, not just a revenue label.

[Bear] Project execution and one-off normalization. Q3 FY2026 benefited from positive project-related one-offs. Future unfavorable close-outs, liquidated damages, supply disruption, or warranty provisions can reverse the effect. Fixed-price industrial projects are especially exposed to engineering changes and long-lead inflation. The base case assumes improved backlog quality is durable but does not assume recurring favorable settlements.

[Bear/Base] Electrification platform competition. EAD operates against companies with larger installed bases, broader channels, and major software budgets. Customers may prefer open architectures or an automation supplier independent of rotating-equipment OEMs. Separation can sharpen EAD's focus, but it can also reduce shared R&D and make recruitment harder. The model limits base EAD CAGR to 4.8% despite structural electrification.

[Bear/Base] Industrial steam substitution. Direct electric drives, heat pumps, and process redesign can displace some steam turbine applications. Carbon rules can delay projects tied to fossil steam. Service on the installed fleet cushions the transition, while CHP, biomass, geothermal, waste heat, and efficiency projects create countervailing demand. The 3.8% base

CAGR assumes a managed maturity, not a new secular boom.

[All cases] Customer and regional concentration. TI serves industries where a few megaprojects can dominate bookings. Middle East oil and gas, U.S. LNG and data centers, European decarbonization policy, and Chinese industrial competition can pull in different directions. Regional manufacturing and service reduce localization risk but add fixed cost and working-capital complexity.

[Bear] Talent and identity loss. A carve-out can lead experienced engineers, bid managers, and field-service specialists to leave. TI's value depends heavily on tacit knowledge and customer trust that cannot be transferred by legal agreement alone. The future brand may need to prove continuity while competitors exploit uncertainty.

[Bull] Focused capital allocation. The strategic upside is that an independent board can direct investment to compression services, industrial electrification, maritime, digital tools, and selective hydrogen projects without competing internally against Siemens Energy's grid and power-generation expansion. Partnerships or external capital could accelerate acquisitions and localization. The bull case gives this benefit operating credit but still no transaction-value credit.

[All cases] Accounting-perimeter comparability. After separation, management may introduce new adjusted metrics, allocate corporate functions differently, or restate product categories. The ER2 synthesis must keep the current forecast on `Profit before Special Items` until an audited, comparable bridge exists. A new standalone EBITDA metric should not be mixed with this appendix's profit series.

Segment summary

Case	Segment TTM+5y Revenue	Exact profit metric	Segment TTM+5y Profit Margin	Segment TTM+5y Profit	Probability
Bear	EUR 6,047m	Profit before Special Items	7.5%	EUR 452m	25%
Base	EUR 7,622m	Profit before Special Items	12.8%	EUR 973m	55%
Bull	EUR 9,267m	Profit before Special Items	16.0%	EUR 1,486m	20%

TI is a profitable but heterogeneous industrial portfolio whose quality rests mainly on rotating-equipment service, installed references, and systems integration. The base case assumes mid-single-digit growth and essentially flat segment margin after a recurring standalone burden. The bull case requires a strong Compression cycle, EAD execution, funded hydrogen projects, and a clean carve-out; the bear case shows that service can preserve revenue while stranded cost and equipment under-absorption compress profit sharply. Until a transaction is signed and its capital, liabilities, retained stake, parent stranded costs, and taxes are disclosed, the standalone plan is a scenario—not a source of free value.

Appendix S - Synthesis (Combined Earnings Model)

Siemens Energy — Synthesis (Combined Earnings Model)

Post-red-team production repair completed 2026-09-12. Gamesa Base margin is 3.0%; parent attribution is 88%/92%/95%; and Base retains 25% of TI through equity-method parent earnings after separation. All changes are count-once and preserve the 11 statutory tie-outs.

`TICKER: ENR.DE` `MODE: Production` `trade_execution_authorized=false`

This appendix consolidates the four reviewed Business Area models into one statutory earnings path. It uses only the sealed quote packet, the validated statutory bridge, the DR-reviewed data package, the QFR-reviewed quantitative foundation, and the four appendices marked `CLEARED_FOR_SYNTHESIS` in `gate_manifest.json`. No source was newly discovered, no segment endpoint was re-underwritten, and no residual or plug adjustment was introduced.

1. Anchors

- Today: **2026-09-11**.
- Fiscal year end: **September 30**.
- TTM anchor: **2026-06-30**.
- TTM construction: **Q4 FY2025 ended 2025-09-30; Q1 FY2026 ended 2025-12-31; Q2 FY2026 ended 2026-03-31; Q3 FY2026 ended 2026-06-30**. The controlling statutory construction is FY2025 minus 9M FY2025 plus 9M FY2026.
- Latest completed FY label, used only for historical tie-out: **FY2025**.
- Horizon date: **2031-06-30**, exactly **5.0 calendar years** after the TTM end. No row compounds from FY2025 for six fiscal years.
- Valuation price: **EUR 140.82 per ordinary registered share**, `XETR:ENR`, ISIN `DE000ENER6Y0`, raw exchange close, last completed session **2026-09-10**. Raw-source SHA-256: `4bfaa2af97f9aafabaee869a64eae653b5764dba9ffeb3b96554c205aaf5a29c`. QFR-sealed packet SHA-256: `78dc84f02a2b220496387211988c2a13a861b58a3493900804aa981d4c7bc24b`. Actionability expiry: **2026-09-12T04:15:57+08:00**.
- Quote security and financial statement security are the same **ordinary registered share with no par value**. Reporting and quote currencies are both EUR.
- Split bridge: **875,371,435.3129084 financial-basis diluted shares × split factor 1 = 875,371,435.3129084 quote-basis diluted financial shares**. Basis runs from 2026-06-30 to the 2026-09-10 quote date; the packet records `NO_INTERVENING_SPLIT`. The split evidence is the FMP live splits response at the packet path, SHA-256 `4f53cda18c2baa0c0354bb5f9a3ecbe5ed12ab4d8e11ba873c2f11161202b945`, corroborated by the official issued-capital disclosures.
- Listed-unit bridge: depositary ratio **1 ×** share-class factor **1 = 1 financial share per listed unit**. Therefore 875,371,435.3129084 quote-basis diluted financial shares ÷ 1 = 875,371,435.3129084 listed-unit equivalents at the start.
- FX bridge: **1 EUR of quote currency per 1 EUR of reporting currency**, dated 2026-09-10, source `IDENTITY_SAME_CURRENCY`; no conversion or alternate price is used.
- Historical statutory bridge SHA-256: `2c26d671c9e5ee55860e94e17cf4834fea1762827cf22362ff6f39d43360d320`. The strict validators returned `QUOTE_PACKET_VALID` and `STATUTORY_BRIDGE_VALID`; `gate_manifest.json` contains the durable DR token `STATUTORY BRIDGE VERIFIED — CLEARED FOR FORECASTING`.

TTM input control. The orchestration handoff described EUR 12.198bn as Gas Services TTM revenue. The reviewed segment appendix and QFR-reviewed foundation identify EUR 12.198bn as FY2025 revenue and EUR 13.424bn, rendered EUR 13.425bn in the appendix, as TTM revenue. The sealed TTM value controls. Using EUR 12.198bn would create a EUR 1.226bn false revenue gap and fail the statutory anchor; it is not used.

2. Segment-level forward assumptions

All four standalone segments end on the exact issuer metric `Profit before Special Items`. Gas Services, Grid Technologies, Transformation of Industry, and the Siemens Gamesa Bear/Bull endpoints preserve the reviewer-cleared Appendix B cases. The controlling Siemens Gamesa Base endpoint is the root-authorized downside-weighted overlay: 3.0% on EUR 11.501bn, or EUR 0.345030bn. It lies between the negative 3.1% TTM anchor and the reviewed positive 5.0% recovery case. The +5.0% case remains visible only as a non-controlling sensitivity and does not enter consolidated Base EPS.

Segment	Exact profit metric	TTM revenue, EUR bn	Bear terminal revenue	Base terminal revenue	Bull terminal revenue	Bear margin	Base controlling margin	Bull margin
Gas Services	Profit before Special Items	13.425	15.774	20.061	23.059	13.14%	18.82%	21.67%
Grid Technologies	Profit before Special Items	12.890	16.195	21.084	24.546	14.02%	17.11%	20.49%
Transformation of Industry	Profit before Special Items	5.866	6.047	7.622	9.267	7.50%	12.80%	16.00%
Siemens Gamesa	Profit before Special Items	10.368	8.608	11.501	13.455	-5.00%	3.00%	9.00%

Sources: reviewed Appendix B Sections 8-10 for all four segments; `appendix_red_team.md` Section 1 for the material Gamesa objection; root repair instruction for the controlling 3.0% Base overlay. The one-million differences in the first three TTM revenue rows versus the quantitative foundation are display rounding only.

Gamesa Base endpoint	Terminal revenue, EUR bn	Terminal margin	Terminal Profit before SI, EUR bn	Status
Downside-weighted central	11.501	3.00%	0.345030	Controlling Base input
Reviewed recovery case	11.501	5.00%	0.575050	Non-controlling sensitivity only
TTM-margin stress	11.501	-3.07%	-0.352851	Downside sensitivity only

The Gamesa annual controlling Base margin runs from the sealed TTM negative 3.0671% margin toward 3.0% in five equal run-rate steps. This changes only the S-level downside weighting; it does not rewrite the reviewed segment appendix or imply that a smooth annual recovery is company guidance. The separate EUR 2.2bn Base provision cash-use overlay remains a cash-conversion diagnostic and is not deducted again from Profit before Special Items.

3. Combined revenue build by case

The repair preserves every reviewed segment revenue path and changes only the parent consolidation perimeter for the announced Transformation of Industry separation. The historical TTM segment-to-consolidated revenue elimination is EUR 0.703bn on EUR 42.546bn, or 1.6523377046%. That exact ratio remains the explicit forward elimination convention. It is applied to the segments actually included in each scenario; it is not a residual plug. TI's standalone revenue cadence remains visible as a diagnostic even when the parent perimeter excludes it.

Scenario	Gas 2031	Grid 2031	TI diagnostic 2031	TI included 2031	Gamesa 2031	Included segment sum	Eliminations	Combined revenue
Bear	15.774	16.195	6.047	0.000	8.608	40.577	-0.670	39.906
Base	20.061	21.084	7.622	0.000	11.501	52.646	-0.870	51.776
Bull	23.059	24.546	9.267	9.267	13.455	70.327	-1.162	69.165

All values are EUR bn. Bear and Base terminal consolidated revenue exclude TI after the modeled separation. Base retains 25% only through below-line equity-method parent income and therefore does not reconsolidate TI revenue. Bull is the clearly labeled continued-consolidation diagnostic. No scenario books transaction proceeds, a deconsolidation gain, separately valued consideration, or conglomerate-discount release. Therefore TI operating earnings and any transaction value cannot be counted twice.

4. Combined operating-income build and TI perimeter

The segment profit metric remains the sealed issuer label, Profit before Special Items. The repair does not relabel it statutory operating income. Annual segment profits interpolate mechanically from the sealed TTM margins to the reviewed terminal

margins while using the reviewed annual revenue cadences. This adds a transparent path without changing any terminal segment assumption. Corporate and unallocated expense remains 7%, 5%, and 4% of positive included segment Profit before Special Items in Bear, Base, and Bull. Special items and acquisition-intangible amortization remain separate operating-bridge lines and never enter a segment.

Scenario	TI perimeter timing	Proceeds	Retained stake	Deconsolidation gain	Count-once conclusion
Bear	Diagnostic close effective 2027-06-30; FY2027 TI earnings included through the close, then zero TI earnings from 2028; zero proceeds, retained stake, gain and transaction consideration.	0	0%	0	TI earnings stop after FY2027; no separate value
Base	Diagnostic deconsolidation after the 2027 separation window; full TI through 2027, then a conservative 25% meaningful minority from 2028. Only 25% of TI after-tax earnings enters below-line equity-method parent income; zero proceeds, gain and separately valued consideration.	0	25%	0	25% of after-tax TI earnings enters once below line from FY2028
Bull	Continued full consolidation through 2031 only as an explicit no-close diagnostic; no proceeds, retained stake, deconsolidation gain or separate TI value.	0	n/a	0	TI earnings included; no separate transaction value

The timing is deliberately conservative and source-bound to management's disclosed 2027 separation window and intention to retain a meaningful minority, rather than a fabricated transaction value. Bear assumes the earliest annual-node completion on 2027-06-30. Base assumes deconsolidation after the 2027 window: TI leaves consolidated revenue and operating income from FY2028, while a deliberately conservative 25% retained minority contributes only 25% of after-tax TI Profit before Special Items as equity-method parent income. Bull assumes no completion by the horizon only as a full-consolidation diagnostic. The 25% is an analytical minority assumption, not a disclosed stake. Sale proceeds, deconsolidation gain, and separately valued consideration remain zero.

Bear annual segment Profit before Special Items cadence

Period end	Gas	Grid	TI diagnostic	TI factor	TI included	Gamesa	Included segment sum
2027-06-30	2.021942	2.302999	0.682089	1.0x	0.682089	-0.344760	4.662271
2028-06-30	2.051444	2.334460	0.632943	0.0x	0.000000	-0.369179	4.016725
2029-06-30	2.073086	2.339807	0.575697	0.0x	0.000000	-0.391402	4.021492
2030-06-30	2.086772	2.318273	0.514921	0.0x	0.000000	-0.411647	3.993398
2031-06-30	2.073000	2.271000	0.452320	0.0x	0.000000	-0.430000	3.914000

Base annual segment Profit before Special Items cadence

Period end	Gas	Grid	TI diagnostic	TI factor	TI included	Gamesa	Included segment sum
2027-06-30	2.295833	2.609304	0.779155	1.0x	0.779155	-0.196177	5.488115
2028-06-30	2.647767	2.929334	0.832951	0.0x	0.000000	-0.069176	5.507926
2029-06-30	3.016382	3.204487	0.884997	0.0x	0.000000	0.063218	6.284087
2030-06-30	3.394444	3.430570	0.930499	0.0x	0.000000	0.201204	7.026218
2031-06-30	3.775000	3.607000	0.972650	0.0x	0.000000	0.345030	7.727030

Bull annual segment Profit before Special Items cadence

Period end	Gas	Grid	TI diagnostic	TI factor	TI included	Gamesa	Included segment sum
2027-06-30	2.430448	2.778337	0.854473	1.0x	0.854473	-0.071389	5.991868

Period end	Gas	Grid	TI diagnostic	TI factor	TI included	Gamesa	Included segment sum
2028-06-30	2.973149	3.336317	1.000322	1.0x	1.000322	0.202491	7.512278
2029-06-30	3.580221	3.919790	1.156556	1.0x	1.156556	0.505896	9.162463
2030-06-30	4.273057	4.503510	1.319935	1.0x	1.319935	0.841209	10.937711
2031-06-30	4.997000	5.029000	1.486024	1.0x	1.486024	1.211000	12.723024

The annual run-rate bridge is not a claim that quarterly delivery will be smooth. It exists to expose the multi-year cadence required by valuation preflight. Gamesa recovery or deterioration is gradual; Gas and Grid absorb backlog and capacity over time; the undisclosed positive TI Q3 project one-off is not annualized. The only TI values included in consolidated operating earnings are those multiplied by the scenario factor; Base retained-stake earnings appear once, and only once, below the NCI bridge.

5. Annual statutory earnings, NCI, parent income and EPS

The current denominator repair in data-package Section 3b is binding. Reported TTM parent income is EUR 2.692bn and reported diluted EPS is EUR 3.07526598584717. Central normalized parent income is EUR 3.012587307839568bn and normalized diluted EPS is EUR 3.441496016788228, with a governed EPS range of EUR 3.347535540 to EUR 3.556387465. The central normalized P/E is 40.9182516304x versus the raw reported 45.7911610404x. The observed TTM parent ratio is 89.613848202397%. The repaired forecast uses bounded scenario earnings-mix inferences of 88% Bear, 92% Base, and 95% Bull to reflect different operating and TI perimeters. They are not ownership percentages. Explicit low/high sensitivity bounds are 85%-100% Bear, 88%-100% Base, and 89.6138%-100% Bull.

The formula is parent-attributable net income equals consolidated net income after tax minus NCI. EPS is calculated only after that deduction. Special items are forecast separately as annual event expense: Bear EUR -0.700bn declining to -0.500bn, Base -0.350bn declining to -0.150bn, and Bull -0.200bn declining to zero. Acquisition-intangible amortization and goodwill impairments are retained as statutory expense and never added back. Interest income and expense use the reviewed flat cash and debt anchors; other financial income mean-reverts to the terminal Section 3a values.

Bear annual statutory operating bridge

Period end	Included segment P before SI	Corporate/unallocated	Consolidated P before SI	Special items	Amortization/impairment	Statutory OI
2027-06-30	4.662271	-0.326359	4.335912	-0.700000	-0.190000	3.445912
2028-06-30	4.016725	-0.281171	3.735554	-0.600000	-0.200000	2.935554
2029-06-30	4.021492	-0.281504	3.739987	-0.550000	-0.210000	2.979987
2030-06-30	3.993398	-0.279538	3.713861	-0.500000	-0.215000	2.998861
2031-06-30	3.914000	-0.273980	3.640020	-0.500000	-0.220000	2.920020

Bear annual below-line, parent attribution and EPS bridge

Period	Stat OI	Interest income	Interest expense	Other financial	Pretax	Tax rate	Consolidated NI	Parent ratio	NCI deduction	TI equity-method income	Parent NI	Diluted shares m	Parent EPS	Low-bound EPS	100% EPS
2027-06-30	3.445912	0.166320	-0.147950	0.032000	3.496282	27.00%	2.552286	88.00%	-0.306274	0.000000	2.246012	875.280843	2.566047	2.478568	2.915962
2028-06-30	2.935554	0.166320	-0.147950	-0.001000	2.952924	27.00%	2.155634	88.00%	-0.258676	0.000000	1.896958	875.108299	2.167684	2.093786	2.463277
2029-06-30	2.979987	0.166320	-0.147950	-0.034000	2.964357	27.00%	2.163981	88.00%	-0.259678	0.000000	1.904303	875.155985	2.175958	2.101778	2.472680
2030-06-30	2.998861	0.166320	-0.147950	-0.067000	2.950231	27.00%	2.153668	88.00%	-0.258440	0.000000	1.895228	875.285622	2.165268	2.091452	2.460532
2031-06-30	2.920020	0.166320	-0.147950	-0.100000	2.838390	27.00%	2.072025	88.00%	-0.248643	0.000000	1.823382	875.995318	2.081497	2.010537	2.365338

Base annual statutory operating bridge

Period end	Included segment P before SI	Corporate/unallocated	Consolidated P before SI	Special items	Amortization/impairment	Statutory OI
2027-06-30	5.488115	-0.274406	5.213709	-0.350000	-0.185000	4.678709

Period end	Included segment P before SI	Corporate/unallocated	Consolidated P before SI	Special items	Amortization/impairment	Statutory OI
2028-06-30	5.507926	-0.275396	5.232530	-0.250000	-0.185000	4.797530
2029-06-30	6.284087	-0.314204	5.969882	-0.200000	-0.180000	5.589882
2030-06-30	7.026218	-0.351311	6.674907	-0.150000	-0.180000	6.344907
2031-06-30	7.727030	-0.386352	7.340679	-0.150000	-0.180000	7.010679

Base annual below-line, parent attribution and EPS bridge

Period	Stat OI	Interest income	Interest expense	Other financial	Pretax	Tax rate	Consolidated NI	Parent ratio	NCI deduction	TI equity-method income	Parent NI	Diluted shares m	Parent EPS	Low-bound EPS	100% EPS
2027-06-30	4.678709	0.221760	-0.133155	0.052000	4.819314	25.00%	3.614486	92.00%	-0.289159	0.000000	3.325327	877.150954	3.791054	3.626226	4.120711
2028-06-30	4.797530	0.221760	-0.133155	0.039000	4.925135	25.00%	3.693851	92.00%	-0.295508	0.156178	3.554521	878.927068	4.044160	3.876052	4.380374
2029-06-30	5.589882	0.221760	-0.133155	0.026000	5.704487	25.00%	4.278365	92.00%	-0.342269	0.165937	4.102033	880.642247	4.658002	4.463673	5.046660
2030-06-30	6.344907	0.221760	-0.133155	0.013000	6.446512	25.00%	4.834884	92.00%	-0.386791	0.174469	4.622562	882.360830	5.238857	5.019677	5.677216
2031-06-30	7.010679	0.221760	-0.133155	0.000000	7.099283	25.00%	5.324463	92.00%	-0.425957	0.182372	5.080877	884.092048	5.747001	5.506100	6.228802

Bull annual statutory operating bridge

Period end	Included segment P before SI	Corporate/unallocated	Consolidated P before SI	Special items	Amortization/impairment	Statutory OI
2027-06-30	5.991868	-0.239675	5.752193	-0.200000	-0.180000	5.372193
2028-06-30	7.512278	-0.300491	7.211787	-0.100000	-0.170000	6.941787
2029-06-30	9.162463	-0.366499	8.795964	-0.050000	-0.160000	8.585964
2030-06-30	10.937711	-0.437508	10.500203	0.000000	-0.155000	10.345203
2031-06-30	12.723024	-0.508921	12.214103	0.000000	-0.150000	12.064103

Bull annual below-line, parent attribution and EPS bridge

Period	Stat OI	Interest income	Interest expense	Other financial	Pretax	Tax rate	Consolidated NI	Parent ratio	NCI deduction	TI equity-method income	Parent NI	Diluted shares m	Parent EPS	Low-bound EPS	100% EPS
2027-06-30	5.372193	0.277200	-0.118360	0.062000	5.593033	23.00%	4.306636	95.00%	-0.215332	0.000000	4.091304	879.457543	4.652077	4.388321	4.896923
2028-06-30	6.941787	0.277200	-0.118360	0.059000	7.159627	23.00%	5.512913	95.00%	-0.275646	0.000000	5.237267	883.628771	5.926999	5.590960	6.238947
2029-06-30	8.585964	0.277200	-0.118360	0.056000	8.800804	23.00%	6.776619	95.00%	-0.338831	0.000000	6.437788	887.279118	7.255652	6.844283	7.637528
2030-06-30	10.345203	0.277200	-0.118360	0.053000	10.557043	23.00%	8.128923	95.00%	-0.406446	0.000000	7.722477	890.844345	8.668716	8.177232	9.124964
2031-06-30	12.064103	0.277200	-0.118360	0.050000	12.272943	23.00%	9.450166	95.00%	-0.472508	0.000000	8.977658	893.852598	10.043779	9.474333	10.572399

The statutory bridge now makes the controlling P/E denominator comparable: both current normalized EPS and terminal EPS are parent-attributable, diluted, EUR-denominated, and per XETR:ENR listed ordinary share. Scenario NCI is deducted from consolidated net income using the explicitly bounded model assumptions before EPS. Base TI equity-method income is then added directly to parent income because it represents the parent's retained minority economics after TI-level tax; it is not subjected to the consolidated NCI proxy and is not separately valued. The low-bound and 100% columns make the residual inference visible. NCI is not added again as a valuation claim under P/E.

5a. Return-method inputs and method boundary

Scenario	Statutory OI	Cash-tax rate	NOPAT	Consolidated NI	Parent ratio	NCI	TI equity-method income	Parent NI	Diluted shares m	Parent EPS
Bear	2.920020	27.00%	2.131615	2.072025	88.00%	0.248643	0.000000	1.823382	875.995318	2.081497
Base	7.010679	25.00%	5.258009	5.324463	92.00%	0.425957	0.182372	5.080877	884.092048	5.747001

Scenario	Statutory OI	Cash-tax rate	NOPAT	Consolidated NI	Parent ratio	NCI	TI equity-method income	Parent NI	Diluted shares m	Parent EPS
Bull	12.064103	23.00%	9.289359	9.450166	95.00%	0.472508	0.000000	8.977658	893.852598	10.043779

The repaired P/E lane is supportable because statutory parent-attributable diluted EPS is reconciled for all scenarios. It remains provisional until VP re-runs and locks the method. EV/NOPAT remains unavailable as a controlling method because there is no source-bound terminal path for leases, minority-interest valuation claims, other senior claims, and separable non-operating assets. P/B-ROE remains unavailable because no zero-residual parent-common-equity roll-forward exists and book value is not the natural industrial bridge. This appendix calculates no security IRR and selects no exit multiple. Cash, debt, provisions, TI consideration, and distributions are not added to an EPS-times-P/E equity value.

The cash and debt anchors remain EUR 11.088bn and EUR 2.959bn solely to derive interest income and expense. Contract liabilities of EUR 28.071bn are operating financing for future delivery, not free cash. Gamesa provision cash use is a cash-conversion diagnostic and is not deducted again from statutory earnings. Under the eventual P/E method, these items affect earnings through operations and financing; no separate net-cash adjustment is permitted.

5b-5e. P&C insurer lane

NOT TRIGGERED — issuer is not a P&C insurer or reinsurer. Siemens Energy is an industrial energy-technology issuer. No insurer return bridge is created.

6. Share-count and award settlement path

The repair replaces the prior EUR 110m divided by current price shortcut with the disclosed award inventory and an explicit count-once bridge. FY2025 disclosed 3.952023m unvested performance awards, 7.425809m ratable awards, 3.890669m jubilee entitlements, and 1.424601m conditional Executive Board awards. The same annual report disclosed a 15.011m diluted share-based-payment effect, 5.760701m treasury shares at year-end, predominantly equity settlement, possible exceptional cash settlement, forfeiture on early employment termination, four-year performance vesting, graded one-quarter ratable vesting, and a two-year conditional Executive Board vesting period beginning 2025-10-01.

The 15.011m published diluted effect is used conservatively as the starting award-dilution baseline embedded in the packet's 875.3714353129084m diluted denominator. Existing award delivery therefore replaces, rather than adds to, that baseline. For each year, ending diluted shares equal starting diluted shares plus existing award equity delivery minus the corresponding baseline release plus expected dilution from future grants minus economic retirement. Existing treasury shares are a settlement source, not retirement credit; reissuing them transfers already-held shares and does not erase the award from fully diluted shares. New issuance beyond the treasury pool likewise represents the same award settlement, not a second dilution line.

Existing award class	Opening units m	Bear equity delivery	Base equity delivery	Bull equity delivery	Bear cash equiv	Base cash equiv	Bull cash equiv
Performance awards	3.952023	1.914755	3.485684	5.256191	0.100777	0.071136	0.000000
Ratable awards	7.425809	5.996341	6.695109	7.203035	0.315597	0.136635	0.000000
Jubilee entitlements	3.890669	2.772102	3.240927	3.696136	0.145900	0.066141	0.000000
Conditional Executive Board awards	1.424601	0.676685	1.396109	2.493052	0.035615	0.028492	0.000000

Bear assumes lower performance, more forfeiture, and 95% equity settlement; Base assumes target performance, 90%-100% class retention, and 98% equity settlement; Bull assumes 140% performance vesting for ordinary performance awards, 175% for conditional Executive Board awards, higher retention, and full equity settlement. Performance award terms permit 0%-200%, while conditional awards permit 0%-250%; the modeled values stay inside those disclosed bands. Jubilee entitlements are conservatively treated as share-equivalent units because the ultimate number varies with share price and exact recipient mix is not disclosed. This avoids pretending that all 3.890669m must become newly issued shares while still inventorying the claim.

Future target grants are modeled separately at 1.500000m, 2.021266m, and 2.500000m per year in Bear, Base, and Bull. Base equals FY2025 performance, ratable, and direct-match grants of 0.268668m plus 1.186693m plus 0.565905m. Scenario retention, performance, and equity-settlement factors turn these into annual expected dilution of 0.855000m, 1.782756612m, and 2.968750m. FY2025 SBC expense of EUR 110m anchors Base; Bear uses EUR 120m and Bull EUR 130m as bounded

expense sensitivities. Those expenses are embedded once in segment Profit before Special Items margins and are not deducted again below operating income. Cash settlement is recorded as cash use only and no cash is added or subtracted under P/E.

Bear diluted-share roll-forward

Year	Starting	Existing delivery	Baseline release	Future grants	Treasury reissue	New issue	Cash-settled equiv	Ending diluted
2027	875.371435	2.774799	3.720392	0.855000	2.774799	0.000000	0.146042	875.280843
2028	875.280843	2.870537	3.898081	0.855000	2.870537	0.000000	0.151081	875.108299
2029	875.108299	2.627932	3.435246	0.855000	0.115365	2.512567	0.138312	875.155985
2030	875.155985	2.532194	3.257557	0.855000	0.000000	2.532194	0.133273	875.285622
2031	875.285622	0.554420	0.699724	0.855000	0.000000	0.554420	0.029180	875.995318

Base diluted-share roll-forward

Year	Starting	Existing delivery	Baseline release	Future grants	Treasury reissue	New issue	Cash-settled equiv	Ending diluted
2027	875.371435	3.717154	3.720392	1.782757	3.717154	0.000000	0.075860	877.150954
2028	877.150954	3.891438	3.898081	1.782757	2.043547	1.847892	0.079417	878.927068
2029	878.927068	3.367668	3.435246	1.782757	0.000000	3.367668	0.068728	880.642247
2030	880.642247	3.193384	3.257557	1.782757	0.000000	3.193384	0.065171	882.360830
2031	882.360830	0.648185	0.699724	1.782757	0.000000	0.648185	0.013228	884.092048

Bull diluted-share roll-forward

Year	Starting	Existing delivery	Baseline release	Future grants	Treasury reissue	New issue	Cash-settled equiv	Ending diluted
2027	875.371435	4.837750	3.720392	2.968750	4.837750	0.000000	0.000000	879.457543
2028	879.457543	5.100559	3.898081	2.968750	0.922951	4.177608	0.000000	883.628771
2029	883.628771	4.116843	3.435246	2.968750	0.000000	4.116843	0.000000	887.279118
2030	887.279118	3.854033	3.257557	2.968750	0.000000	3.854033	0.000000	890.844345
2031	890.844345	0.739227	0.699724	2.968750	0.000000	0.739227	0.000000	893.852598

The five-year endpoints are 875.995318361m Bear, 884.092048310m Base, and 893.852597933m Bull. No buyback receives economic-retirement credit because the reviewed evidence says treasury purchases mainly service employee programs. The converted FY2022 mandatory convertible is already inside the starting denominator and receives zero further dilution or debt treatment. Authorized but unissued conditional capital is not an outstanding claim and is zero unless an actual issuance is later modeled.

7. P/E 15 test

Required parent-attributable diluted EPS at the immutable EUR 140.82 packet price is EUR 9.388000. Cushion equals parent EPS times 15 minus price, divided by price. This is the entry-price discipline only. It is not an exit-multiple selection and no IRR is calculated here.

Scenario	Parent NI EUR bn	Diluted shares m	Parent EPS EUR	EPS x 15	Cushion	Gate
Bear	1.823382	875.995318	2.081497	31.222457	-77.83%	FAIL
Base	5.080877	884.092048	5.747001	86.205008	-38.78%	FAIL
Bull	8.977658	893.852598	10.043779	150.656683	6.99%	PASS

The confident Base case controls and fails. Bull passes only narrowly after explicit parent attribution and the higher Bull dilution schedule; that does not rescue the Base gate. The correct comparison is between EUR 140.82 per XETR ordinary share and parent-attributable diluted EPS on the same unit, currency, and share-class basis.

Quote freshness disclosure: the packet validated cleanly at 2026-09-12T04:04:11+08:00. Its 24-hour actionability timestamp later elapsed. Under the scheduled-completion override, that passage is disclosure-only and does not change, re-fetch,

degrade, or block this repair. The exact packet bytes, listing, price, session, raw evidence, split factor, unit factor, and EUR/EUR FX have been recomputed and remain unchanged.

8. Reflexivity check against reported TTM and FY2025

The TTM revenue bridge starts from official segment revenue of EUR 42.546bn and applies the disclosed negative EUR 0.703bn reconciliation, yielding EUR 41.843bn. Independently reconstructed consolidated revenue is EUR 41.844bn, leaving EUR 0.001bn, or 0.002%, of official rounding. This is far inside 2%. The TTM statutory operating bridge is `EUR 4.615bn segment profit - EUR 0.199bn corporate reconciliation - EUR 0.409bn special items - EUR 0.185bn acquisition amortization = EUR 3.822bn statutory OI`, exactly matching the official amount.

FY2025 also ties: segment profit of EUR 2.653bn minus EUR 0.298bn corporate reconciliation plus EUR 0.006bn special items minus EUR 0.212bn acquisition amortization equals EUR 2.149bn statutory OI. Segment revenue of EUR 39.601bn plus the disclosed negative EUR 0.524bn reconciliation equals EUR 39.077bn consolidated revenue. The TTM anchor, rather than FY2025, is what the model compounds.

Reflexivity is therefore intact: the model does not apply forward segment margins to consolidated revenue, allocate the statutory bridge into Business Areas, or erase intersegment revenue. Its operating margin is a result of bottom-up segment profit plus the sealed group bridge.

9. Latest interim bridge reconciliation

The cumulative interim bridge is triggered because standalone quarters were not available for all statutory lines. It is reproduced as **FY2025 minus comparable 9M FY2025 plus 9M FY2026**, with both YTD periods covering October 1 through June 30. Q4 FY2025 is the non-overlapping residual; the current 9M period supplies Q1–Q3 FY2026. No half-year or quarterly amount is added on top of the cumulative YTD inputs.

Line, EUR m	FY2025	Less 9M FY2025	Plus 9M FY2026	TTM ended 2026-06-30
Revenue	39,077	-28,649	31,416	41,844
Statutory operating income	2,149	-1,866	3,539	3,822
Pretax income	2,213	-1,913	3,689	3,989
Net income, total company	1,685	-1,450	2,769	3,004
Net income attributable	1,414	-1,247	2,525	2,692

Diluted shares follow the reviewed share-month bridge: `(883.225m × 12 - 878.169014m × 9 + 867.697595m × 9) ÷ 12 = 875.371435m`. Attributable TTM income of EUR 2.692bn divided by that basis reproduces historical diluted EPS of EUR 3.0753. These historical calculations validate period integrity; forward EPS uses the Section 6 terminal share path.

10. Sensitivity — which variable matters most

Variable	Down case	Base	Up case	Count-once treatment
Gas five-year revenue CAGR	6.36%: EPS 5.498072	8.36%: EPS 5.747001	10.36%: EPS 6.015000	Revenue and terminal margin only
Grid terminal Profit before SI margin	-200 bps: EPS 5.434346	Base: EPS 5.747001	+200 bps: EPS 6.059655	Corporate, tax and parent ratio flow through
Gamesa terminal Profit before SI margin	TTM -3.07%: EPS 5.229639	3.00%: EPS 5.747001	5.00% sensitivity: EPS 5.917546	3% is controlling; 5% is non-controlling
Terminal diluted shares	-5%: EPS 6.049474	884.092048m	+5%: EPS 5.473334	Denominator only
Tax rate	22%: EPS 5.976881	25%	28%: EPS 5.517121	Pretax and parent ratio unchanged
Parent attribution	88% lower: EPS 5.506100	92% central: EPS 5.747001	100%: EPS 6.228802	Bounded earnings mix, not ownership

The largest displayed parent-EPS uncertainties are the operating margin path, TI perimeter, and parent-attribution mix. Share dilution is scenario-specific rather than a single price-divided expense shortcut. Base 100% parent attribution is fully visible: it raises terminal EPS by 8.38%, whose five-year wealth-ratio effect is 1.6232%. Therefore, under any same-method fixed P/E that produces a Base annualized return at or below 23.22%, the residual attribution change is less than 2 percentage points. The Gamesa TTM-margin stress lowers EPS from 5.747001 to 5.229639; the five-year ratio effect is 1.9046%, keeping the

3%-versus-TTM stress below 2 points whenever the stressed Base annualized return is at or below 5.01%. These are algebraic materiality controls, not exit-multiple selections or IRR calculations. VP must preserve and test both bounds when it reseals the tighter multiple. None of the favorable isolated Base sensitivities lifts Base parent EPS to the EUR 9.388000 required by the P/E-15 gate.

11. Combined earnings summary

Case	Revenue EUR bn	OI EUR bn	OI margin	Consol NI	NCI	TI retained income	Parent NI	Shares m	Parent EPS	Probability	EPS x 15	Cushion
Bear	39.906	2.920	7.32%	2.072025	0.248643	0.000000	1.823382	875.995318	2.081497	25.00%	31.222457	-77.83%
Base	51.776	7.011	13.54%	5.324463	0.425957	0.182372	5.080877	884.092048	5.747001	55.00%	86.205008	-38.78%
Bull	69.165	12.064	17.44%	9.450166	0.472508	0.000000	8.977658	893.852598	10.043779	20.00%	150.656683	6.99%
Probability-weighted EPS	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.689980	100.00%	85.349705	-39.39%

The 25% Bear, 55% Base, and 20% Bull weights are unchanged. Base remains the majority case because Gas and Grid backlog conversion and Gamesa improvement are observable; Bear remains above Bull because management and moat are YELLOW and because wind, customer-advance, dilution, NCI, and TI separation risks are asymmetric. The probability-weighted EPS is an expectation across discrete parent-shareholder outcomes, not a fourth scenario and not a return calculation.

12. Tie-out checks

- **PASS — Reported financial and statutory bridge.** TTM revenue remains 42.546 - 0.703 = 41.843bn versus EUR 41.844bn consolidated. TTM statutory OI remains 4.615 - 0.199 - 0.409 - 0.185 = 3.822bn. FY2025 statutory OI remains 2.653 - 0.298 + 0.006 - 0.212 = 2.149bn. The sealed statutory file hash is unchanged.

- **PASS — Parent NI, shares, listed unit and FX equal EPS.** For every annual row, consolidated NI plus the negative scenario NCI deduction plus direct parent TI equity-method income equals parent NI; parent NI divided by the scenario diluted share count and multiplied by unit factor 1 and EUR/EUR FX 1 equals parent EPS. Low and 100% attribution columns bound the mix inference.

- **PASS — Segment sum at horizon.** For every annual row, included Gas plus Grid plus TI factor times TI diagnostic plus Gamesa equals the included segment sum. The explicit negative 1.6523377046% revenue elimination then equals consolidated revenue with zero residual.

- **PASS — Product to segment rollup.** The four reviewed Appendix B Section 10 product rollups remain unchanged: Gas, Grid, TI, and Gamesa terminal product sums reconcile within 1%. The S repair changes only TI parent inclusion after those standalone segment totals are computed.

- **PASS — Weighted margin.** Gas, Grid, TI, and Gamesa Bear/Bull reviewer-cleared terminal margins remain unchanged. Gamesa Base uses the root-authorized 3.0% downside-weighted overlay, with the reviewed 5.0% case retained only as non-controlling sensitivity. Annual margins bridge transparently from sealed TTM to each controlling endpoint.

- **PASS — Share count and security unit path.** Starting 875.371435313m plus existing-award equity delivery minus the released 15.011m baseline plus future-grant dilution and zero economic retirement reproduces each year and terminal shares: 875.995318361m Bear, 884.092048310m Base, and 893.852597933m Bull. Treasury reissue funds settlement and is not retirement.

- **PASS — Growth plausibility.** Reviewed growth plausibility remains unchanged. Gas's exception is still supported by backlog coverage and capacity ramp; Grid, TI, and Gamesa remain within the documented comparison bounds. TI inclusion changes parent perimeter, not standalone growth.

- **PASS — Historical arithmetic.** All terminal product values remain the reviewed TTM multiplied by five-year forecast paths. Every annual cadence begins at 2026-06-30; the 2031 endpoints are forced to the reviewer-cleared Appendix B terminal numbers where rounded annual growth shorthand differs immaterially.

- **PASS — Recency anchor.** Base first-forward-year consolidated revenue is EUR 45.965022518bn versus EUR 41.844bn TTM, a 9.85% increase, inside the 10% band. TI remains consolidated in 2027 under Base, so the timing is internally consistent.

- **PASS — Period and horizon integrity.** TTM remains FY2025 minus comparable 9M FY2025 plus 9M FY2026, with no overlap. Annual nodes end June 30 from 2027 through 2031, and 2031-06-30 is exactly five calendar years after 2026-06-30.

- **PASS — Valuation, unit bridge, packet hash and probability.** Quote packet SHA-256 78dc84f02a2b220496387211988c2a13a861b58a3493900804aa981d4c7bc24b, statutory bridge SHA-256 2c26d671c9e5ee55860e94e17cf4834fea1762827cf22362ff6f39d43360d320, and data package SHA-256 f44ba3a1ed3d24c8d5d48d2cf66427d3ffb8a4bf737d9c796b700e20d7ec5a3a recompute exactly. XETR:ENR, EUR 140.82, split 1, depositary 1, class 1, and FX 1 replay. Probabilities total 100%; parent EPS times 15 and cushions reproduce. Expiry is disclosure-only under the dispatcher override.

SYNTHESIS CLEARED — 11/11 TIE-OUTS PASSED

P/E 15 gate: FAIL — cushion -38.78%

All authority flags remain false: trade_execution_authorized=false; portfolio_mutation_authorized=false; owner_action_authorized=false.

Repair schedule: C:\Users\Admin\OneDrive\GPT\ER 2.0\Siemens Energy\raw\pulse-cio-20260911T040231+0800\S_rt_repair_20260912T0600+0800\synthesis_rt_repair_schedule.json; SHA-256 recorded after write.

Appendix CS - Compounder Score

Siemens Energy (ENR.DE) - Production Compounder Score, Post-Red-Team Rerun

Analysis date: 2026-09-12 **Financial anchor:** TTM ended 2026-06-30 **Exact horizon:** 2031-06-30, exactly 5.0 years **Security:** XETR:ENR ordinary registered share, ISIN DE000ENER6Y0 **Reporting and valuation currency:** EUR **Current price:** EUR 140.82, raw Xetra close on 2026-09-10 **Primary valuation method:** P/E **Trade execution authorized:** `false` **Portfolio mutation authorized:** `false` **Owner action authorized:** `false`

1. Executive Verdict

Compounder Score: 43/100. Business Quality Score: 41/80. 20% Return Underwriting Score: 2/20. Score-implied classification: Reject. Confidence: Medium. These scores are diagnostic. They do not alter or mechanically determine the ER2 BUY/WATCH/PASS verdict, and they authorize no portfolio action.

The post-red-team repair makes the shareholder case more coherent but less attractive. The resealed synthesis uses a 3.0% Siemens Gamesa Base terminal margin rather than a stronger recovery, scenario-specific parent-attribution earnings-mix inferences of 88%/92%/95%, and a 25% retained Transformation of Industry stake whose equity-method income enters Base parent earnings from 2028. The resealed valuation preflight then tightens the independently supported exit P/Es to 14x Bear, 16x Base and 20x Bull. Those changes are counted once and reproduce the new statutory diluted EPS exactly.

The evidence still supports valuable energy-infrastructure franchises. Gas Services has the clearest moat through a large installed fleet, high service mix, OEM-specific parts, field-service density and long asset lives. Grid Technologies benefits from qualification barriers, engineering references, scarce high-voltage capacity and a structural grid-investment runway. Gas and Grid generated EUR 4.213bn of TTM Profit before Special Items. Group backlog reached EUR 162bn at Q3 FY2026, including EUR 73bn in Gas and EUR 51bn in Grid. These are tangible strengths.

The evidence does not support a proven high-ROIIC compounder. The five-year adjusted ROIC series is negative in three years and has a median of negative 1.6%. FY2025 ROIC recovered to 16.3%, but invested capital fell sharply while customer advances rose to EUR 28.071bn. A credible organic or acquisition-inclusive three- or five-year ROIIC cannot be calculated without turning a negative starting NOPAT, segment-taxonomy change, advance funding, Gamesa losses and a shrinking capital denominator into a misleading percentage. The score therefore assigns zero to both ROIIC level and ROIIC trend.

Siemens Gamesa remains the largest business-quality objection. The full acquisition preceded severe losses and quality provisions, the FY2025 warranty and onerous-contract provision stock was EUR 3.458bn, and 9M FY2026 free cash flow before tax remained negative EUR 1.717bn. Management and Moat remain YELLOW. Leadership deserves credit for restoring Gas, Grid and the balance sheet, but the acquisition record, dilution, remuneration design, wind cash conversion and Transformation of Industry separation uncertainty do not justify a clean compounder designation.

Valuation remains decisive. At EUR 140.82, Base reaches terminal parent-attributable diluted EPS of EUR 5.747000552386667, but the locked 16x exit produces only EUR 91.95200883818667 per share. With zero distributions, that is a gross EUR annualized return of negative 8.171101207644105%. Bull reaches EUR 10.043778867479283 EPS and EUR 200.87557734958565 per share at 20x, but earns only 7.362486120492973% gross. Probability-weighted terminal shareholder wealth is EUR 98.03396026569197, implying negative 6.987259298262849% annualized. The tighter valuation confirms that the 20% return case is not plausible.

2. Data Source Map

All historical and forecast evidence comes from the live-fetched, QFR-reviewed ER2 chain. No data-warehouse cache was used. Official Siemens Energy sources control when FMP classifications differ.

Required evidence	Controlling source	Period / retrieval basis	Use in this score
Price and listing	`quote_packet.json`, SHA-256 `78dc84f02a2b220496387211988c2a13a861b58a3493900804aa981d4c7bc24b`	Xetra close 2026-09-10	EUR 140.82; ordinary share; split, class and depositary factors all 1

Required evidence	Controlling source	Period / retrieval basis	Use in this score
Market capitalization	Live FMP quote/profile under `raw/pulse-cio-20260911T040231+0800`	2026-09-10	EUR 120.449584185bn provider basic-share market cap; diluted equity value recalculated
Enterprise value	Live FMP enterprise values and official balance sheet	Price 2026-09-10; cash/debt 2026-06-30	Simple EUR 115.14080552076375bn diagnostic; incomplete lease perimeter
Income statement	`quant_foundation.md`, `statutory_bridge.json`, official FY2025 and Q3 FY2026 reports	FY2021-FY2025 and TTM	Revenue, statutory operating income, parent income and diluted EPS
Balance sheet	`data_package.md` section 8 and official filings	FY2025 and 2026-06-30	Cash, debt, provisions, contract liabilities, equity and goodwill
Cash flow	`quant_foundation.md` P6 and `data_package.md` sections 2 and 7	FY2021-FY2025 and TTM	CFO, capex, FCF, dividends, treasury purchases and cash-quality caveat
Share count and SBC	`quant_foundation.md` P6; repaired synthesis section 6	FY2021-TTM and 2027-2031	Starting diluted shares, mandatory convertible, award dilution and terminal shares
Segment economics	Four reviewer-cleared `appendix_B_*.md` files	Recast FY2022-TTM and 2031	Segment margins, product mix, reinvestment and runway evidence
Management	`data_package.md` sections 4-6 and `appendix_management.md`	Through Q3 FY2026	Guidance credibility, capital allocation, cash quality and YELLOW gate
Capital allocation	`data_package.md` section 7 and `appendix_management.md`	FY2021-TTM	Capex, R&D, Gamesa acquisition, guarantees, distributions and dilution
Compensation and governance	`appendix_management.md`	FY2025-FY2026 remuneration cycle	Incentive alignment, ownership evidence and oversight
TAM and market structure	Reviewed segment appendices and `appendix_moat.md`	Long-cycle evidence	Grid buildout, installed-base service and qualified capacity
Valuation comparables	Resealed `valuation_preflight.json` and archived live peer pulls	2026-09-12	Native historical/peer P/Es and locked 14x/16x/20x exits

The mandatory validator returned `VALUATION_PREFLIGHT_VALID`. The exact preflight SHA-256 is `cca985bb3dd39e9382d4085c43de71f243a7035a694921421a6046360b70d87b`. The repaired synthesis SHA-256 is `a1862c3500e2bc5afce040cafc8db864f309fb263a8c27ab8bcfcf27bf7d98ab`. Its full-precision schedule is hash-bound at `efa3ae18401f747e826d51fdf00fcfa077f5c9aac0ba6658e3995d0ba2e448b9`. The new CS return schedule is `raw/pulse-cio-20260911T040231+0800/CS_20260912/return_schedule_post_rt.json`, SHA-256 `bba9e03e752f871ee701009df7be11bc887a660a5b6ce2f9ce7f575da385995c`. The prior schedule remains on disk and was not overwritten.

The quote packet validated cleanly at 2026-09-12T04:04:11+08:00. Its SHA-256, XETR listing, EUR 140.82 price, ordinary-share unit, 1x split factor, 1x share-class factor, 1x depositary factor and 875.3714353129084m diluted listed-equivalent basis remain unchanged. Its conservative actionability expiry later elapsed at 2026-09-12T04:15:57+08:00. Under the higher-precedence scheduled-completion rule, that expiry is disclosure-only and neither blocks nor degrades this rerun. No quote was refreshed or fabricated.

3. Key Financial and Quality Metrics

NOPAT equals statutory operating income multiplied by a normalized 75% after-tax factor. FCF conversion equals FCF divided by NOPAT. The table does not relabel the four-year FY2021-FY2025 record as a five-year CAGR, and it does not treat cash conversion above 100% as permanent when customer advances contributed materially.

Metric	Latest / 1-year	3-year available	Longest comparable history	10-year	Interpretation
Revenue	EUR 41.844bn TTM	FY2022-FY2025 CAGR 10.45%	FY2021-FY2025 CAGR 8.23%	Unavailable	Strong recovery and backlog conversion
Statutory operating margin	9.13% TTM	5.5% FY2025 vs -2.0% FY2022	Negative in FY2021-FY2023	Unavailable	Turnaround, not stable margin proof
Adjusted ROIC	16.3% FY2025	-17.8% to 16.3% FY2023-FY2025	Five-year median -1.6%	Unavailable	Fails the high-ROIC-history standard
3-year ROIIC	Insufficient evidence	Insufficient evidence	n/a	n/a	Negative starting NOPAT and shrinking capital distort the ratio

Metric	Latest / 1-year	3-year available	Longest comparable history	10-year	Interpretation
5-year ROIIC	Insufficient evidence	n/a	Insufficient evidence	n/a	Current taxonomy begins in recast FY2022 and advances distort reinvestment
Acquisition-inclusive ROIIC	Insufficient evidence	Insufficient evidence	Insufficient evidence	n/a	Gamesa outcome is adverse; complete consistent capital schedule unavailable
FCF	EUR 7.791bn TTM	FY2022-FY2025 CAGR 56.89%	FY2021-FY2025 CAGR 43.77%	Unavailable	Current level includes advance and provision timing
FCF / NOPAT	271.79% TTM	86.27% FY2024; 254.20% FY2025	Not normalized	Unavailable	Too high to underwrite as steady-state conversion
Diluted shares	875.371m TTM	n/a	FY2021-FY2025 CAGR 5.43%	Unavailable	Mandatory conversion and employee plans matter
SBC / revenue	0.28% FY2025	About 0.31%-0.41% FY2022-FY2024	Low direct expense	Unavailable	SBC expense is not the main dilution risk
SBC / FCF	2.68% FY2025	Low versus reported FCF	Advance-distorted denominator	Unavailable	Issuance history remains more important
Simple net cash	EUR 8.129bn at 2026-06-30	n/a	Improved from guarantee crisis	n/a	Contract liabilities were EUR 28.071bn
Simple EV / NOPAT	40.17x	n/a	Incomplete lease perimeter	n/a	Secondary diagnostic; P/E controls
TTM FCF yield	6.32% on diluted equity value	n/a	Not normalized	n/a	Headline yield overstates distributable steady state
Dividend yield	0.50% on EUR 0.70	First dividend after restriction	No stable payout history	n/a	Not used in forward return bridge

Provider market capitalization is EUR 120.449584185bn on a basic-share denominator. The controlling diluted equity value is EUR 140.82 multiplied by 875.3714353129084m shares, or EUR 123.26980552076375bn. Adding June debt and subtracting June cash gives a simple EUR 115.14080552076375bn enterprise-value diagnostic before leases. It is not a complete claim perimeter and therefore does not control valuation.

4. Rubric Scorecard

Category	Score	Maximum	Main reason
1. Incremental Returns on Capital	4	25	Five-year median ROIC is negative; ROIIC level and trend are unavailable
2. Reinvestment Runway	17	20	Grid buildout, Gas service and capacity expansion provide a large organic runway
3. Durability of Moat	10	15	Gas/Grid advantages are real; Grid scarcity and Gamesa durability are unresolved
4. Accounting Honesty and Financial Quality	6	10	Reconciliation is strong; cash quality, dilution and governance evidence remain incomplete
5. Capital Allocation Discipline	4	10	Guarantee exit is positive; Gamesa acquisition and treasury-share economics are weak
Business Quality	41	80	Credible franchises inside an unproven group compounder
6. Price and 20% Return Underwriting	2	20	Base and probability-weighted returns are negative; Bull remains below the hurdle
Compounder Score	**43**	**100**	**Reject under the diagnostic rubric**

Category 1 scores 0/5 normalized ROIC, 0/8 ROIIC, 0/3 ROIIC trend, 2/3 unit economics, 1/3 cash conversion and 1/3 freedom from accounting artifact. Category 2 scores 5/5 market opportunity, 4/5 proven reinvestment at scale, 4/4 organic growth, 2/3 repeatable playbook, 2/2 market structure and 0/1 proof that growth avoids ROIC collapse. Category 3 scores 3/4 clear advantage, 2/3 pricing power, 2/3 competitive evidence, 1/2 customer stickiness, 1/2 stress resilience and 1/1 low AI disruption risk. Category 4 scores 1/2 earnings quality, 1/2 cash support, 1/2 SBC and dilution, 2/2 balance sheet, 1/1 disclosure and 0/1 clean governance evidence. Category 5 scores 1/2 reinvestment priority, 0/2 acquisition discipline, 0/2 buyback discipline, 1/2 incentives, 1/1 owner mentality and 1/1 past decisions. Category 6 scores 0/6 Base IRR, 2/4

independently conservative exit multiple, 0/3 Bear, 0/3 reverse hurdle, 0/2 price not pricing perfection and 0/2 helpful cash returns.

The 2/4 exit-multiple credit is preserved mechanically. The resealed P/Es are independently justified, sharply below the comparable normalized current multiple and not chosen to manufacture a target return. Full credit requires the below-current multiple to clear the 20% hurdle; it does not. No credit is available from the other valuation subcategories.

5. ROIIC and Reinvestment Analysis

The correct ROIIC conclusion remains insufficient evidence. FY2021-FY2023 NOPAT was negative, current segment taxonomy is consistently available only from recast FY2022, and the analytical invested-capital denominator fell from average EUR 16.259bn in FY2021 to EUR 9.900bn in FY2025. Customer-funded contract liabilities rose from EUR 10.350bn to EUR 22.321bn and then EUR 28.071bn by June 2026. A mechanical change-in-NOPAT over negative or shrinking reinvestment could generate a spectacular-looking but economically empty percentage. With ROIIC itself unavailable, the evidence also cannot establish that ROIIC is not deteriorating sharply.

Organic reinvestment is visible. Capex increased from EUR 0.987bn in FY2021 to EUR 1.724bn in FY2025, while R&D stayed near EUR 1.1bn-EUR 1.2bn annually. Medium gas-turbine capacity is planned to rise from about 50 units in FY2025 to about 100 in FY2028; large-turbine capacity rises from about 35 to above 50. Grid transformer and switchgear capacity is also expanding. This supports runway points, but it does not prove that incremental capital earns current scarcity margins once peer capacity commissions.

Acquisition-inclusive evidence is adverse. Siemens Energy spent roughly EUR 4.05bn, largely equity-funded, to acquire the remaining Gamesa minority. The subsequent loss and provision history does not support acquisition discipline. A consistent acquisition-spend, disposal, working-capital and capitalized-development schedule is unavailable, so no spurious acquisition-inclusive ROIIC percentage is printed.

Cash conversion needs normalization. FY2024 FCF/NOPAT was 86.27%. FY2025 and TTM rose to 254.20% and 271.79%, coinciding with large customer advances. Advance funding can reduce structural capital needs, but it also finances future delivery obligations. It is not equivalent to freely distributable cash and is not added to terminal P/E equity value.

6. Runway Analysis

The runway remains the strongest score component. Electricity-demand growth, grid reinforcement, renewable interconnection, aging transformer fleets, data-center load and dispatchable-capacity needs support sustained orders. Existing backlog covered about 95% of expected Q4 FY2026 revenue and about 87% of FY2027. Grid investment is large enough to support several qualified suppliers, and Gas Service benefits from more than 7,000 installed turbines with long service lives.

The constraints are economic, not demand-only. Grid customers can dual-source after qualification, and peers are adding high-voltage capacity. Current slot scarcity and margin quality can normalize. Gas new-unit demand depends on power-market design, policy and decarbonization pathways. Gamesa backlog fell from EUR 36bn to EUR 31bn, and trailing orders covered only 0.44x revenue. TI separation removes consolidated revenue and operating income while Base retains only a 25% equity-method interest after 2028.

The Base repair is more conservative and internally sound. Gamesa reaches only a 3% terminal margin, not 5%; parent attribution is 92%; and retained TI equity-method parent income is EUR 0.182371875bn in 2031. These refinements improve perimeter fidelity, but they do not overcome the entry valuation. A long runway can coexist with a poor investment when the starting price capitalizes successful execution.

7. Moat Analysis

The moat is installed-base service, qualification, engineering references, field density, fleet knowledge and long-cycle performance accountability. These factors narrow the credible supplier set for gas turbines, HVDC, transformers and grid systems. They are not exclusive licenses. Grid equipment becomes more competitive as qualified capacity expands; independent service can attack Gas aftermarket value; long-term contracts carry availability and damages risk; and Gamesa proves that scale does not prevent product defects.

Pricing power is visible but mixed with cycle and utilization. Gas and Grid margins expanded while backlog grew, and processed backlog carries better margin quality. Price-adjustment clauses, slot reservations and customer advances also support the case. Yet Siemens Energy does not disclose product ASPs, backlog gross margin, cancellations, utilization,

service renewal or churn. The appropriate conclusion remains strong but cycle-sensitive Gas service pricing, currently strong but untested Grid scarcity pricing, moderate TI service advantages and weak/unproven Gamesa new-unit pricing.

The 2046 test remains YELLOW. A credible future company is a grid-systems and dispatchable-power lifecycle specialist with more service and a repaired or smaller wind business. Physical assets and qualification make direct AI disruption low. The unresolved issue is renewal: Grid margins may normalize, Gas fleet economics can mature, and Gamesa reliability needs years of proof. The group lacks a stable ten-year margin and return record.

8. Accounting and Capital Allocation Analysis

The statutory evidence chain is strong. QF reconciled 8/8 checks, QFR sealed the quote and statutory packets, DR cleared forecasting, and the post-red-team synthesis passed 11/11 tie-outs. Parent income is separated from consolidated income, NCI is deducted before EPS, the converted mandatory note is inside the starting share base, future awards are scenario-specific, and TI is counted once.

The new parent-attribution path is an earnings-mix inference, not an ownership percentage. Bear deducts 12% of consolidated after-tax earnings, Base deducts 8%, and Bull deducts 5%, before Base retained-TI equity-method income is added at the parent level. The result is terminal parent EPS of EUR 2.0814971242206215, EUR 5.747000552386667 and EUR 10.043778867479283 on unchanged terminal diluted shares. That perimeter logic is bound by the resealed preflight and is not altered by CS.

Economic quality remains less clean than arithmetic quality. Reported TTM parent income is EUR 2.692bn and diluted EPS EUR 3.07526598584717. The preflight normalizes these to EUR 3.012587307839568bn and EUR 3.4414960167882276. Acquisition amortization remains in statutory earnings. TTM FCF is inflated by advance timing relative to sustainable NOPAT. Warranty provisions and contract liabilities are operating claims, not surplus cash.

SBC expense was EUR 110m in FY2025, only 0.28% of revenue, but diluted shares rose from 714.747m in FY2021 to 883.225m in FY2025. The mandatory convertible added 61.795m shares. Treasury shares largely service plans and receive no economic-retirement credit. Terminal diluted shares are 875.9953183614084m Bear, 884.0920483103082m Base and 893.8525979329085m Bull.

Management's clearest capital-allocation success is the restored balance sheet and replacement of government-supported guarantees with a bank facility. Its weakest decision is Gamesa. Incentives omit explicit ROIC, cumulative per-share cash flow and diluted EPS measures. TI separation consideration remains undisclosed; the model includes only the Base 25% retained stake's equity-method earnings and adds no transaction proceeds or separate asset value.

9. 20% Return Underwriting

Security return underwriting

Primary valuation method: P/E. Reported current EPS is EUR 3.07526598584717 and reported P/E is 45.7911610404026x. Normalized current EPS is EUR 3.4414960167882276 and comparable normalized P/E is 40.91825163041162x. Terminal EPS is parent-attributable and incorporates scenario NCI, award dilution and Base retained-TI income. The preflight independently locks 14x/16x/20x exits. CS did not change them after seeing returns.

Return case	Probability	Current price	Terminal parent EPS	Terminal diluted shares	Exit P/E	Terminal equity value	Equity value / share	Distributions / share	Terminal wealth / share	Gross EUR IRR
Bear	25%	EUR 140.82	EUR 2.081497124	875.995318m	14.00x	EUR 25.527344bn	EUR 29.140960	EUR 0.00	EUR 29.140960	-27.03%
Base	55%	EUR 140.82	EUR 5.747000552	884.092048m	16.00x	EUR 81.294040bn	EUR 91.952009	EUR 0.00	EUR 91.952009	-8.17%
Bull	20%	EUR 140.82	EUR 10.043778867	893.852598m	20.00x	EUR 179.553157bn	EUR 200.875577	EUR 0.00	EUR 200.875577	7.36%
Probability-weighted	100%	EUR 140.82	n/a	n/a	n/a	n/a	n/a	n/a	EUR 98.033960	-6.99%

The probability-weighted return is the five-year CAGR of `0.25 x EUR 29.1409597390887 + 0.55 x EUR 91.95200883818667 + 0.20 x EUR 200.87557734958565`. It is never the arithmetic average of scenario IRRs.

The distribution path remains a clearly labeled zero-distribution diagnostic. EUR 0.70 is the sourced current dividend, but neither the repair nor the red team produced a source-bound 2027-2031 payout cadence. Zero avoids fabricated cash returns

and keeps every IRR finite. The 26.375% withholding assumption has zero modeled effect because distributions are zero.

Bear-case operating and return bridge

Bear case	Start (TTM 2026-06-30; price 2026-09-10)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	EUR 41.844bn	EUR 39.906255bn	-0.94%	TI exits after FY2027, Gamesa contracts and Gas/Grid growth moderates
Operating margin	9.13%	7.32%	-1.82 pp	Gamesa stays loss-making and corporate/event costs remain elevated
Operating earnings	EUR 3.822bn	EUR 2.920020bn	-5.24%	Statutory operating income after segment bridge, Special Items and amortization
Diluted share count	875.371435m	875.995318m	0.01%	Awards are modeled and buybacks receive no economic-retirement credit
EPS	EUR 3.075266	EUR 2.081497	-7.51%	88% parent earnings-mix inference after tax and scenario dilution
Valuation denominator	Reported EUR 3.075266; normalized EUR 3.441496	Terminal EUR 2.081497	Comparable	Same parent-attributable statutory diluted EPS perimeter after normalization
Valuation	40.9183x normalized current P/E	14.00x exit P/E	-26.9183x	About 10% below ENR's positive historical low for renewed Gamesa/project risk
Share value	EUR 140.82 current price	EUR 29.140960	EUR 2.081497 x 14x	P/E equity value; no separate terminal net cash/debt adjustment
Annual dividend	EUR 0.70 sourced current	EUR 0.00 diagnostic	-100%	No source-bound forward payout path
Dividend yield	0.50%	0.00%	-0.50 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	EUR 0.00	cumulative	Zero-distribution diagnostic
Total ending value	EUR 140.82	EUR 29.140960	-27.03% gross local IRR	Terminal share value plus zero distributions

Base-case operating and return bridge

Base case	Start (TTM 2026-06-30; price 2026-09-10)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	EUR 41.844bn	EUR 51.776411bn	4.35%	Gas/Grid convert backlog, Gamesa grows moderately and TI deconsolidates
Operating margin	9.13%	13.54%	+4.41 pp	Gamesa reaches only 3% while Gas/Grid margin quality persists
Operating earnings	EUR 3.822bn	EUR 7.010679bn	12.90%	Statutory operating income excludes retained-TI equity-method income
Diluted share count	875.371435m	884.092048m	0.20%	Existing and future awards create net dilution
EPS	EUR 3.075266	EUR 5.747001	13.32%	92% parent mix plus 25% retained-TI equity-method parent income
Valuation denominator	Reported EUR 3.075266; normalized EUR 3.441496	Terminal EUR 5.747001	Comparable	Statutory parent EPS with event normalization and explicit perimeter
Valuation	40.9183x normalized current P/E	16.00x exit P/E	-24.9183x	Near positive historical low; YELLOW quality and unproven ROIIC cap value
Share value	EUR 140.82 current price	EUR 91.952009	EUR 5.747001 x 16x	P/E equity value; cash, debt and TI are counted once

Base case	Start (TTM 2026-06-30; price 2026-09-10)	Horizon (2031-06-30)	CAGR / change	Justification
Annual dividend	EUR 0.70 sourced current	EUR 0.00 diagnostic	-100%	No source-bound forward payout path
Dividend yield	0.50%	0.00%	-0.50 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	EUR 0.00	cumulative	Zero-distribution diagnostic
Total ending value	EUR 140.82	EUR 91.952009	-8.17% gross local IRR	Terminal share value plus zero distributions

Bull-case operating and return bridge

Bull case	Start (TTM 2026-06-30; price 2026-09-10)	Horizon (2031-06-30)	CAGR / change	Justification
Revenue	EUR 41.844bn	EUR 69.164604bn	10.57%	Gas/Grid absorb capacity, Gamesa repairs and TI remains consolidated
Operating margin	9.13%	17.44%	+8.31 pp	High-quality backlog converts, Gamesa succeeds and event costs fade
Operating earnings	EUR 3.822bn	EUR 12.064103bn	25.85%	Statutory operating income after corporate and amortization bridge
Diluted share count	875.371435m	893.852598m	0.42%	Higher award vesting and full equity settlement increase dilution
EPS	EUR 3.075266	EUR 10.043779	26.71%	95% parent earnings-mix inference after NCI and dilution
Valuation denominator	Reported EUR 3.075266; normalized EUR 3.441496	Terminal EUR 10.043779	Comparable	Same listed-unit, statutory and parent-attributable perimeter
Valuation	40.9183x normalized current P/E	20.00x exit P/E	-20.9183x	Below ENR FY2024 and peer P/Es despite successful execution
Share value	EUR 140.82 current price	EUR 200.875577	EUR 10.043779 x 20x	P/E equity value; no separate net cash or TI value
Annual dividend	EUR 0.70 sourced current	EUR 0.00 diagnostic	-100%	No source-bound forward payout path
Dividend yield	0.50%	0.00%	-0.50 pp	Annual dividend divided by endpoint share value
Five-year dividends	-	EUR 0.00	cumulative	Zero-distribution diagnostic
Total ending value	EUR 140.82	EUR 200.875577	7.36% gross local IRR	Terminal share value plus zero distributions

CIO actionability

The separate CIO status is **PASS**. The stable portfolio memo holds EWG 4,663 shares at 9.1% NAV and POWR 1,612 shares at 1.9% NAV; ENR.DE is already indirectly present through EWG. Direct ENR.DE does not earn replacing a material part of EWG or POWR. Base and probability-weighted net-SGD returns are negative, Bear downside is severe, and direct ownership adds concentrated overlap. Proposed sizing is 0.00%, proposal-only and owner-approved if ever changed. Zero sizing is allowed.

Net-SGD diagnostic	Bear	Base	Bull	Probability-weighted
Scenario probability	25%	55%	20%	100%
Exit / entry EUR-SGD ratio	0.85x	0.95x	1.05x	Wealth weighted
Entry cost	0.35%	0.35%	0.35%	Included once
Exit cost	0.35%	0.35%	0.35%	Included once
Dividend withholding	26.375% assumed	26.375% assumed	26.375% assumed	Zero effect on zero distributions
Terminal net-SGD wealth index	24.683121	87.048668	210.181138	96.083775
Annualized net-SGD IRR	**-29.46%**	**-9.24%**	**8.26%**	**-7.43%**

Net-SGD IRRs are rendered to exactly two decimal places; full precision is in the JSON artifacts. The absolute entry EUR/SGD spot is unnecessary because only the exit-to-entry ratio affects holding-period return. Entry FX is normalized to 1.0000 and cancels algebraically. Net terminal wealth equals P/E terminal value times 99.65% after exit costs and the scenario FX ratio, plus after-withholding distributions of zero. Entry wealth equals EUR 140.82 times 100.35%. Probability weighting is applied to terminal net-SGD wealth before the CAGR.

The reverse hurdle is conclusive. EUR 140.82 compounded at 20% for five years requires EUR 350.4052223999999. At 16x Base P/E and zero distributions, required terminal EPS is EUR 21.900326399999994. That requires 48.08585616018515% annual EPS growth from reported statutory EPS or 44.790698507590165% from normalized EPS. Base reaches EUR 5.747000552386667. The gross Base maximum buy price for a 20% IRR is EUR 36.95345005392662.

Double-count check: **passed**. Terminal equity value equals parent-attributable statutory diluted EPS times the locked P/E. No terminal cash, debt, lease, provision, transaction consideration or non-operating asset is added or subtracted. Interest effects are inside statutory EPS, NCI is deducted before EPS, dilution is in the denominator, Base retained-TI income is included once at parent level, and distributions are zero.

10. Hard Veto Checklist

Hard-veto question	Status	Evidence-led conclusion
1. ROIIC below cost with no credible path	Insufficient evidence	ROIIC cannot be calculated credibly; segment improvement is a path, not proof
2. ROIC high because capital is tiny or negative	Watch	FY2025 ROIC benefits from lower invested capital and advance funding
3. Growth requires persistent external financing	Pass	Net cash and restored bank guarantees reduce current financing dependence
4. Shares rise without clear per-share value	Watch	Four-year diluted-share CAGR was 5.43%; conversion and awards matter
5. Large acquisitions lack acceptable returns	Fail	Gamesa acquisition preceded severe losses and has not demonstrated returns
6. FCF structurally lags earnings	Watch	FCF currently leads, but advances and provisions distort structural conversion
7. Cycle or execution can impair equity	Watch	Wind quality, fixed-price projects, guarantees and capacity normalization matter
8. 20% case requires multiple expansion	Pass	Exit P/Es are below comparable normalized current P/E; returns still fail
9. Today's price needs flawless execution	Fail	Even repaired Bull earns only 7.36% gross EUR
10. Moat cannot be explained	Pass	Installed base, qualification, engineering and accountability are identifiable
11. Accounting or governance impairs trust	Watch	No scandal; ownership, incentives and cash-quality evidence remain incomplete
12. Balance sheet can wipe out holders	Pass	Net cash lowers risk absent a severe warranty or project relapse

The Gamesa acquisition and current-price execution requirement remain explicit fails. The conclusion is robust to the new Base retained-TI income because it is already included once in EPS and still produces negative return. It is also robust to conservative multiple selection: 14x/16x/20x are independently anchored, not mechanically forced by the separate P/E-15 gate.

11. Final Decision

Score-implied classification: Reject. The infrastructure runway, Gas service economics, Grid qualification and balance-sheet repair are not enough to establish high group ROIIC or an attractive purchase price. The post-red-team repair is economically cleaner: Gamesa Base margin is 3%, parent attribution is scenario-specific, retained TI is counted once, and exit P/Es reflect YELLOW quality and unproven through-cycle returns. That cleaner model worsens expected shareholder returns.

Evidence that could justify reassessment includes eight consecutive Gamesa quarters with positive profit and cash, declining provisions without top-ups, Grid margins above 14% after peer capacity commissions, sustained high-single-digit Gas Service

growth and at least 16% margin, a transparent TI separation and a multi-year reinvestment bridge supporting ROIIC above cost. Valuation would also need to fall materially or earnings evidence rise well beyond Base without sacrificing durability.

Compounder Score note: **43/100 - Reject; the tighter post-red-team valuation and unproven group compounding dominate the long infrastructure runway.**

Business Quality Score note: **41/80 - Gas and Grid are credible franchises, but ROIIC is unavailable, Gamesa remains a repair, and governance evidence does not merit a clean-red-flag point.**

20% Return UW Score note: **2/20 - Base gross EUR IRR is -8.17%, probability-weighted is -6.99%, and even Bull is only 7.36%.**

For CIO actionability, direct ENR.DE is **PASS** with proposed sizing **0.00%**. It does not earn replacing a material part of EWG or POWR after indirect EWG overlap and downside. `trade_execution_authorized=false`, `portfolio_mutation_authorized=false`, and `owner_action_authorized=false`.

12. Machine-Readable JSON

`compounder_score.json` preserves full-precision gross EUR and net-SGD returns, the resealed preflight and repaired synthesis hashes, scenario terminal wealth, locked 14x/16x/20x P/Es, weights, zero-distribution diagnostic, reverse hurdle, CIO status and all authority flags. The new non-overwriting reproducibility artifact is `raw/pulse-cio-20260911T040231+0800/CS_20260912/return_schedule_post_rt.json`.

Appendix CSA - Scoring Audit

Siemens Energy (ENR.DE) - Production Scoring Audit

Audit date: 2026-09-14 **Price anchor:** EUR 140.82, completed Xetra session 2026-09-10 **TTM / horizon:** 2026-06-30 / 2031-06-30, exactly 5.0 years **Primary valuation method:** P/E **Authority:** Trade execution authorized: NO. Portfolio mutation authorized: NO. Owner action authorized: NO.

The repaired CompounderScorer handoff clears audit. The exact `valuation_preflight.json` SHA-256 is `cca985bb3dd39e9382d4085c43de71f243a7035a694921421a6046360b70d87b`; the evidence-file validator returned `VALUATION_PREFLIGHT_VALID`, all five foundations are passed, the blocker list is empty, and CS reproduces the locked P/E method, normalized denominator, share and claim treatment, and 14x/16x/20x exit multiples. The sealed quote, statutory bridge, repaired synthesis, and current CS files also match the hashes supplied to CSA. The later quote-packet expiry is disclosure-only under the scheduled-completion policy; the exact listing, price, units, session date, and packet bytes remain unchanged.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	41/80	39/80	Reinvestment-at-scale evidence is promising, but 4/5 was too close to proof without credible ROIIC
Valuation / 20% Return UW Score / 20	2/20	2/20	Only exit-multiple discipline earns credit; every return hurdle fails
Total Score / 100	43/100	41/100	Two-point reduction in Business Quality only
Classification	Reject	Reject	Below 70/100, hard vetoes remain, and the 20% case is implausible

The arithmetic score reconstruction is exact. Original category totals are 4/25, 17/20, 10/15, 6/10, 4/10, and 2/20, which sum to 43/100. The audited category totals are 4/25, 15/20, 10/15, 6/10, 4/10, and 2/20, which sum to 41/100 and 39/80 for Business Quality. The score remains diagnostic and does not authorize an ER2 verdict change, a position, or a trade.

2. Score Reductions and Reasons

This score is reduced because subcategory 2B, proven ability to reinvest at scale, was awarded 4/5 even though the same record cannot support organic or acquisition-inclusive ROIIC. Gas and Grid do show real operating progress: capacity investment is rising, backlog is large, processed-backlog margin quality improved, and TTM segment profit is strong. That supports 2/5, not zero. It does not support near-full credit across the group. The five-year median adjusted ROIC is negative 1.6%; average invested capital shrank from EUR 16.259bn to EUR 9.900bn; customer advances rose to EUR 28.071bn; and Gamesa still had negative EUR 1.717bn of 9M FY2026 free cash flow before tax. The evidence demonstrates funded expansion and recent execution, but it has not yet demonstrated durable incremental returns on the capital and operating financing employed.

No other point reduction is required. The rest of the score is already conservative: ROIIC receives zero, current cash conversion receives only 1/3, acquisition and buyback discipline receive zero, governance receives zero, and valuation receives only 2/20. The 2/4 exit-multiple point award is preserved as limited credit for an independently selected, sharply de-rated terminal multiple set. It is not full credit because the below-current Base exit P/E still produces a negative return.

3. Unsupported Claims

The evidence does not support the phrase "proven ability to reinvest at scale" at 4/5. Capacity deployment, backlog conversion, and recent margin expansion are visible, but a consistent reinvestment denominator and ROIIC outcome are not. This is the only awarded claim requiring a score reduction.

The scorer appropriately avoids several tempting unsupported claims. It does not turn the EUR 162bn backlog into booked profit, does not capitalize customer advances as excess cash, does not credit treasury purchases as economic retirement, does not infer a forward dividend cadence from the current EUR 0.70 dividend, and does not claim a ten-year group moat

from the short recast segment history. No qualitative subcategory exceeds 60% on management claims alone without independent operating or market evidence.

4. Calculation Errors

No return-arithmetic error remains. Independent replay produced reported current P/E of 45.7911610404025x from EUR 140.82 / EUR 3.07526598584717 and normalized current P/E of 40.9182516304116x from EUR 140.82 / EUR 3.4414960167882276. Both use the same XETR:ENR ordinary-share, EUR, parent-attributable diluted-EPS perimeter as terminal EPS.

Under the locked P/E method, terminal value is EPS times P/E with no second cash or debt adjustment. Bear EUR 2.0814971242206215 times 14x equals EUR 29.1409597390887; Base EUR 5.747000552386667 times 16x equals EUR 91.9520088381867; and Bull EUR 10.043778867479283 times 20x equals EUR 200.875577349586. With zero distributions, those values reproduce gross EUR IRRs of -27.0260420343165%, -8.1711012076441%, and 7.3624861204930%. Weighting terminal wealth 25%/55%/20% gives EUR 98.0339602656920 and a -6.9872592982628% CAGR. It is not an arithmetic average of scenario IRRs.

The net-SGD replay also ties exactly. Entry wealth is EUR 140.82 times 1.0035, or 141.31287 index units. Each terminal P/E value is multiplied by the scenario EUR/SGD exit-to-entry ratio and 0.9965 after exit cost; zero distributions make the 26.375% withholding assumption inactive. The visible annualized results are Bear **-29.46%**, Base **-9.24%**, Bull **8.26%**, and probability-weighted **-7.43%**, each formatted to exactly two decimals. Probability weighting is applied to terminal net-SGD wealth before annualization.

The reverse hurdle also ties. EUR 140.82 compounded at 20% for five years is EUR 350.4052224. At 16x, required terminal EPS is EUR 21.9003264, implying 48.0858562% growth from reported EPS and 44.7906985% from normalized EPS. Base terminal wealth discounted at 20% produces a maximum buy price of EUR 36.9534501.

Historical calculations are directionally and arithmetically sound. NOPAT is statutory operating income times 75%. FY2024, FY2025, and TTM FCF/NOPAT replay to 86.27%, 254.20%, and 271.79%; the score correctly treats the last two as advance-distorted rather than durable conversion. FY2021-FY2025 diluted shares imply a four-interval annualized increase of about 5.43%. SBC is counted as a real expense, while the mandatory convertible and award path are captured in terminal diluted shares.

The P/E double-count check passes. Scenario-specific parent attribution is deducted before EPS; the Base 25% retained TI equity-method income is added once at parent level; diluted shares differ by scenario; interest effects remain inside statutory earnings; and cash, debt, leases, provisions, TI consideration, non-operating assets, and distributions are not added again after EPS times P/E.

Exit-Multiple Economic-Coherence Audit

The multiple set is economically coherent. The normalized current denominator differs from reported EPS by about 11.9%, remains positive, and is explicitly bridged. The raw 45.79x current P/E was not used as a cap; the comparable 40.92x normalized P/E is only a diagnostic. Provider-native history shows a positive FY2018 low of 15.4818x and FY2024 at 24.1387x. Native peer P/Es in the sealed files range from about 25.79x to 34.78x. Bear 14x is below the historical positive low for renewed Gamesa and project risk, Base 16x is near that low, and Bull 20x remains below FY2024 and peers despite successful execution.

The excessive-optimism test passes because 16x/20x discount current and peer anchors while the cases still carry Gamesa, dilution, TI-perimeter, and scarcity-normalization risk. The excessive-bearishness test passes because Bear keeps positive going-concern value at 14x rather than forcing zero equity. The multiples were selected in the resealed preflight before CS calculated returns; no desired return, score, P/E-15 gate, or blanket no-expansion rule selected them. The current material red-team objection is resolved by the synthesis repair and resealed preflight.

5. Missing Data

The most important missing evidence is a credible organic and acquisition-inclusive three- or five-year ROIIC schedule across the current segment taxonomy. Other material gaps are a source-bound 2027-2031 distribution cadence; a complete terminal lease and senior-claim path for an EV/NOPAT bridge; quantitative turbine ASP, cancellation, backlog-margin, Grid-utilization, and wind failure-rate series; and exact investor account, tax, and broker-cost facts. Those gaps appropriately lower confidence to Medium. They do not make the finite security-level return bridge unavailable.

6. Hard-Veto and Threshold Test Audit

Rubric item	Evidence status	Original	Audited	Audit conclusion
1A Normalized ROIC	Supported	0/5	0/5	Five-year median is -1.6%; zero follows the rubric
1B ROIIC	Missing data	0/8	0/8	No credible 3-year or 5-year denominator
1C ROIIC trend	Missing data	0/3	0/3	Trend cannot be scored without ROIIC
1D Unit economics	Partly supported	2/3	2/3	Gas/Grid economics are visible; group proof is incomplete
1E Cash conversion	Partly supported	1/3	1/3	Multi-year test exists, but advances distort recent cash
1F Not an accounting artifact	Partly supported	1/3	1/3	Official bridge is clean; capital denominator is compressed
2A Market opportunity	Supported	5/5	5/5	Backlog and grid/gas investment evidence are substantial
2B Reinvest at scale	Partly supported	4/5	2/5	Expansion is visible; incremental return proof is absent
2C Organic growth	Supported	4/4	4/4	Backlog, service, and capacity support growth
2D Repeatable playbook	Partly supported	2/3	2/3	Gas/Grid execution is repeatable-looking but not through-cycle
2E Market structure	Supported	2/2	2/2	Qualification and scarce engineering constrain supply
2F No ROIC collapse	Unsupported	0/1	0/1	Long-cycle proof is absent
3A Clear advantage	Supported	3/4	3/4	Installed base and qualification are specific advantages
3B Pricing power	Partly supported	2/3	2/3	Margin quality improved; realized price data are missing
3C Competitive evidence	Partly supported	2/3	2/3	Peer and segment evidence are useful but imperfectly comparable
3D Customer stickiness	Partly supported	1/2	1/2	Strong in Gas service, mixed elsewhere
3E Stress resilience	Partly supported	1/2	1/2	Core franchises survived; Gamesa caused severe losses
3F Low disruption risk	Supported	1/1	1/1	Physical qualification limits AI disintermediation
4A Earnings quality	Partly supported	1/2	1/2	Statutory bridge is clean; one-offs and perimeter changes remain
4B Cash support	Partly supported	1/2	1/2	Cash is real but materially advance-funded
4C SBC and dilution	Partly supported	1/2	1/2	SBC is low; cumulative and award dilution are material
4D Balance sheet	Supported	2/2	2/2	EUR 8.129bn simple net cash and guarantee normalization support full credit
4E Disclosure	Supported	1/1	1/1	Official filings and bridges are detailed and reconciled
4F Governance	Partly supported	0/1	0/1	Incentive, ownership, legacy compliance, and TI issues remain
5A Reinvestment priority	Partly supported	1/2	1/2	Gas/Grid capacity investment looks rational, not yet proven
5B Acquisition discipline	Supported adverse	0/2	0/2	Gamesa acquisition outcome is damaging

Rubric item	Evidence status	Original	Audited	Audit conclusion
5C Buyback discipline	Missing proof	0/2	0/2	Treasury purchases do not prove economic retirement
5D Incentive alignment	Partly supported	1/2	1/2	Variable pay and ownership rules exist; ROIC/diluted EPS do not
5E Owner mentality	Partly supported	1/1	1/1	Candor and capital framework support limited credit
5F Past decisions	Partly supported	1/1	1/1	Financing repair offsets, but does not erase, Gamesa
6A Base IRR	Calculation verified	0/6	0/6	-8.17% is below 10%
6B Exit multiple	Supported	2/4	2/4	Independently conservative, but does not clear 20%
6C Bear acceptable	Calculation verified	0/3	0/3	-27.03% is unacceptable
6D Reverse hurdle	Calculation verified	0/3	0/3	Required EUR 21.90 EPS is not beatable on evidence
6E Price not perfection	Supported adverse	0/2	0/2	Even Bull earns only 7.36%
6F Cash returns help	Missing data	0/2	0/2	Zero-distribution diagnostic is required

The audited thresholds remain failed: 41/100 is below 80/100 and below the 70/100 Reject boundary; 39/80 is below 65/80; 2/20 is below 15/20; the 4/25 plus 15/20 ROIIC-and-runway subtotal is 19/45, below 35/45; Base and Bear return tests fail; and hard vetoes remain. The Gamesa acquisition record and the need for far better-than-Bull execution at today's price are genuine vetoes. The no-multiple-expansion test passes, but it cannot compensate for the return failure.

7. Final 20% Hurdle Pass/Fail

FAIL. The audited 20% Return Underwriting Score is 2/20. Base gross EUR IRR is -8.17%, probability-weighted gross EUR IRR is -6.99%, and Bull gross EUR IRR is only 7.36%. The problem is not multiple expansion; it is that supportable terminal earnings and value are far below what EUR 140.82 requires.

8. Dream Business / Dream Investment Classification

Neither. Gas Services and Grid Technologies may be high-quality franchises, but the group is not yet a dream business because ROIIC is unavailable, Gamesa remains a repair, and the reinvestment record is not through-cycle. It is not a dream investment because even the audited Bull case does not reach the owner's return range, much less the diagnostic 20% hurdle. The single biggest reason is the gap between today's price and supportable five-year parent-attributable diluted EPS.

9. Stage 7 Scorecard Notes

- Compounder Score note: **41/100 - Reject under the diagnostic rubric; unproven group reinvestment economics and a severe current-price return gap dominate the infrastructure runway.**
- Business Quality Score note: **39/80 - Gas and Grid are credible franchises, but ROIIC is unavailable, Gamesa remains a repair, and reinvestment-at-scale proof is not yet strong enough.**
- 20% Return UW Score note: **2/20 - Base gross EUR IRR is -8.17%, probability-weighted gross EUR IRR is -6.99%, and even Bull reaches only 7.36%.**

10. Auditor JSON

The machine-readable audit is in `compounder_score_audit.json`. It preserves full precision for all return fields, records the preflight hash and validation result, contains the 32-subcategory evidence audit, and keeps all trade, portfolio, and owner authority flags false.

Appendix RT - Red Team

Siemens Energy (ENR.DE) — Mandatory Red-Team Rerun

Rerun date: 2026-09-14 **Price anchor:** EUR 140.82, completed Xetra session 2026-09-10 **TTM / horizon:** 2026-06-30 / 2031-06-30, exactly 5.0 years **Primary valuation method:** P/E **Audited diagnostic:** Compounder Score **41/100**; Business Quality **39/80**; Return Underwriting **2/20**; classification **Reject Authority:** `trade_execution_authorized=false`; `ranking_authorized=false`; `sizing_authorized=false`; `portfolio_mutation_authorized=false`; `owner_action_authorized=false`; `message_authorized=false`.

This second red team is bound to the repaired artifacts: synthesis SHA-256 `a1862c3500e2bc5afce040cafc8db864f309fb263a8c27ab8bcfcf27bf7d98ab`, valuation preflight `cca985bb3dd39e9382d4085c43de71f243a7035a694921421a6046360b70d87b`, compounder score Markdown/JSON `b9e71305f9e6bc4056bf7cde1c0af63ce69c9b5563486b118bff97790dc34bc7` / `347e0ae9e42c4ab0ec4d20fda3b749b2d617ff1f90253b656a031f5587f8a071`, scoring audit Markdown/JSON `5a871d133870681b45537f1bd5abb863902be35316b1d2170ea6d2de8fcc0ce5` / `b2539817dd3aded273d9d1a20e2a9154c8724b79e82c37b7f55c3e278ecf9012`, quote packet `78dc84f02a2b220496387211988c2a13a861b58a3493900804aa981d4c7bc24b`, and statutory bridge `2c26d671c9e5ee55860e94e17cf4834fea1762827cf22362ff6f39d43360d320`. All hashes were independently recomputed and matched. The quote packet's later expiry is disclosure-only under the scheduled-completion policy; no price or unit was refreshed.

Audited return reproduction before criticism

The controlling bridge uses parent-attributable statutory diluted EPS, scenario-specific diluted shares, zero distributions and the preflight-locked 14x/16x/20x exit P/Es. No cash, debt, leases, provisions, TI consideration or non-operating asset is added after EPS times P/E.

Case	Probability	Terminal EPS	Exit P/E	Terminal wealth / share	Gross EUR IRR
Bear	25%	EUR 2.081497124	14.0x	EUR 29.140959739	-27.026042%
Base	55%	EUR 5.747000552	16.0x	EUR 91.952008838	-8.171101%
Bull	20%	EUR 10.043778867	20.0x	EUR 200.875577350	7.362486%
Probability-weighted	100%	n/a	n/a	EUR 98.033960266	-6.987259%

The expected wealth is exactly `25% × 29.140959739 + 55% × 91.952008838 + 20% × 200.875577350`; its five-year CAGR, not an average of scenario IRRs, is negative 6.987259%. Reported current EPS of EUR 3.075265986 reproduces 45.791161x P/E. Normalized EPS of EUR 3.441496017 reproduces the comparable 40.918252x P/E. The audited net-SGD IRRs also reproduce at **-29.46% Bear, -9.24% Base, 8.26% Bull and -7.43% probability-weighted**. The reverse hurdle is EUR 350.405222 of five-year wealth, requiring EUR 21.900326 terminal EPS at 16x versus audited Base EPS of EUR 5.747001; the 20% Base maximum buy price is EUR 36.953450. These score and return fields are preserved without revision.

1. The most fragile assumption

The fragile assumption remains Siemens Gamesa's controlling **3.0% terminal Profit before Special Items margin on EUR 11.501bn Base revenue**, specifically the synthesis's Gamesa Base line. The repair is materially better than the former 5% central case, but it still demands an 607-basis-point recovery from the negative 3.067% TTM margin while order intake over the last four quarters covered only 44% of revenue, backlog fell from EUR 36bn to EUR 31bn, and 9M FY2026 free cash flow before tax remained negative EUR 1.717bn. One positive 2.7% quarter does not demonstrate platform reliability, profitable replenishment or post-provision cash economics.

The synthesis makes the vulnerability measurable. Holding every other Base input fixed, a terminal Gamesa margin equal to the TTM negative 3.07% reduces EPS from EUR 5.747001 to EUR 5.229639. At the locked 16x P/E, terminal wealth falls from EUR 91.952009 to EUR 83.674224 and Base IRR from negative 8.17% to negative 9.89%, a 1.72-point deterioration. A deeper negative 5% endpoint is already represented by the Bear scenario, rather than smuggled into Base. The 3% central margin is therefore fragile but no longer an unresolved valuation defect: its audited downside sensitivity is visible and the conclusion is already Reject.

2. The most-likely-to-be-optimistic Stage 5 number

The most likely Stage 5 number to be revised down is **Base terminal statutory operating income of EUR 7.010679bn, a 13.54% consolidated margin**. It embeds several correlated achievements: Gas Services reaches EUR 3.775bn of segment profit at an 18.82% margin, including an analyst-estimated 22% Service margin; Grid reaches EUR 3.607bn at 17.11% after Siemens and competitors expand capacity; Gamesa reaches positive 3%; annual Special Items fade to negative EUR 150m; and acquisition amortization/impairment stays only negative EUR 180m. None is absurd alone. Their joint occurrence is less robust than the smooth annual bridge suggests.

The sensitivity table shows why correlation matters. Cutting Grid's terminal margin by 200 basis points reduces Base EPS to EUR 5.434346. Keeping Gas revenue assumptions but reducing the undisclosed Service-margin allocation from 22% to 19% cuts Gas terminal segment profit by about EUR 373m before the group bridge. Either shock alone leaves the Reject conclusion unchanged; together with Gamesa failing to clear zero, they can erase a meaningful part of the modeled operating-income expansion. The valuation is not rescued even if the Base number holds, so this optimism does not create a hidden BUY.

3. Strongest bear case

The short-seller version is simple: investors are paying EUR 140.82 for a company whose repaired **Bull** case produces only EUR 200.88 of terminal wealth and 7.36% gross EUR IRR. That Bull case simultaneously requires 21.67% Gas margin, 20.49% Grid margin, 9% Gamesa margin, full TI consolidation, a 23% tax rate and 95% parent attribution. Meanwhile, large competitors are adding gas and grid capacity, Gamesa is under-booked, and customer advances can reverse as backlog is delivered. The mechanism appears over the next two to eight quarters through weaker book-to-bill, normalization of backlog pricing, negative wind cash and provision top-ups; it then appears in lower 2031 EPS and a multiple that cannot compensate.

Fresh primary evidence cuts both ways. [GE Vernova's Q2 2026 release](https://www.gevernova.com/news/press-releases/ge-vernova-reports-second-quarter-2026-financial-results-raises-2026-financial) reported orders up 88% organically, a USD 176bn backlog and a gas-capacity plan rising toward 30 GW by 2030. That validates demand but also proves supply is responding. [Hitachi Energy's June 2026 announcement](https://www.hitachienergy.com/news-and-events/press-releases/2026/06/hitachi-energy-breaks-ground-on-the-nation-s-largest-facility-for-the-production-of-large-power-transformers-in-south-boston-virginia) describes a USD 457m transformer plant within more than USD 1bn of U.S. grid-equipment investment. Scarcity margins are not guaranteed to survive this industry-wide buildout.

4. Cross-examination of management commentary

- Siemens Energy said Gas had an “increased profitability of the processed order backlog in the new units business.” The statement supports near-term margin but discloses neither backlog gross margin nor cancellation terms. It may fail if capacity additions weaken slot pricing or long-duration cost escalation exceeds contract indexation. The first evidence would be Gas margin falling below 14% despite revenue growth, or book-to-bill below 1.0x for two quarters.

- Grid's release said the “improved margin profile of the processed order backlog” supported results and guided FY2026 margin to 18%-20%. The model already normalizes terminal margin to 17.11%, but peers are adding factories and Grid's product/solutions profit split is analyst-calibrated, not disclosed. The first crack would be segment margin below 14% while revenue and backlog remain healthy, implying pricing or execution rather than demand caused the miss.

- Christian Bruch said the wind business had “returned to profitability in a quarter.” The [official Q3 release](https://www.siemens-energy.com/global/en/home/press-releases/earnings-release-q3-fy-2026.html) simultaneously kept the full-year Gamesa guide at break-even and disclosed that group cash was supported by customer advances. A positive quarter can be timing and provision-funded repair rather than sustainable economics. The earliest contradiction is renewed negative Profit before Special Items, a new quality charge, or continued trailing order intake below 0.8x revenue.

Management's TI optimism also deserves restraint. The [August 2026 separation release](https://www.siemens-energy.com/global/en/home/press-releases/siemens-energy-is-starting-preparations-for-business-area-transf.html) says the company intends to deconsolidate TI while retaining a “meaningful minority,” but gives no percentage, proceeds, separation cost, tax or parent stranded-cost bridge. The repaired Base's analytical 25% stake is acceptable only because it is clearly labelled and no transaction value is added.

5. Stage 5 tie-out reverification

The recency anchor is sound: FY2025 less comparable 9M FY2025 plus 9M FY2026 reproduces EUR 41.844bn revenue, EUR 3.822bn statutory operating income and EUR 2.692bn parent income for TTM ended 2026-06-30. The diluted-share reconstruction also ties at 875.371435m. The starting point is not stale, though its quality is unusually strong and advance-supported.

The share path is conservative enough. Terminal diluted shares rise to 875.995m Bear, 884.092m Base and 893.853m Bull; treasury shares used for awards receive no economic-retirement credit. A 5% share-count sensitivity changes Base EPS to EUR 6.049474 or EUR 5.473334 and does not cure the return deficit.

No product CAGR clearly violates the peer pattern without a named reason. The sharper issue is margin, not revenue. Gas Base revenue CAGR is 8.36% but its Service margin rises to 22% on undisclosed product economics. Grid Base revenue grows 10.3% while terminal margin is slightly below TTM, which is defensible. Gamesa Base revenue grows only 2.1%. The model is more exposed to correlated margin execution than to unbounded top-line extrapolation.

6. Score-derived 20% return claim

There is no positive 20% claim to defend. The audited Return Underwriting score is **2/20**, Base gross EUR IRR is negative 8.17%, probability-weighted IRR negative 6.99%, and Bull only 7.36%. The red team agrees. To reach 20% at the locked Base 16x requires EUR 21.900326 EPS, 3.81 times audited Base EPS and more than twice audited Bull EPS. No single credible change in Gamesa margin, NCI, dilution, distributions or TI ownership closes that gap.

The first assumption that would break even a weaker “attractive return” claim is the multiple-and-probability combination, not a small accounting line. The report is already explicit that the 20% hurdle fails, and the score remains diagnostic rather than trade authority.

7. Two-sided valuation challenge and objection classification

Strongest reason the model is too optimistic. The 20% Bull probability is generous because Bull stacks highly correlated successes. Moving ten probability points from Bull to Bear reduces expected terminal wealth from EUR 98.033960 to EUR 80.860499 and probability-weighted IRR from negative 6.99% to negative 10.50%, a 3.51-point deterioration. The opposite ten-point shift raises IRR to negative 3.94%. This is material sensitivity, but not a hidden model error: the synthesis explicitly explains the asymmetric 25%/55%/20% weights, Bear exceeds Bull, and every reasonable nearby weighting remains decisively negative.

Strongest reason the model is too bearish. The 16x Base P/E sits at the bottom of the preflight's stated 15.5x-20x supportable range, while 20x remains below the FY2024 24.1387x observation and current peer P/Es. Applying 20x as a non-controlling sensitivity raises Base terminal wealth to EUR 114.940011 and Base IRR to negative 3.98%, 4.19 points above the audited result. Applying FY2024's 24.1387x to Bull raises Bull IRR from 7.36% to 11.48%. These are material sensitivities, but they do not justify changing the locked inputs: Base and probability-weighted returns remain negative, Management and Moat remain YELLOW, ROIIC is unproven, and higher peer multiples may capitalize the very scarcity cycle being normalized.

Return-model objection	Quantitative consequence	Classification
Former 5% Gamesa Base margin	Repaired to 3%; 5% sensitivity would raise Base IRR only to -7.63%	MATERIAL_RESOLVED
Gamesa TTM-margin persistence	Negative 3.07% terminal stress lowers Base IRR to -9.89%, down 1.72 points	MATERIAL_RESOLVED
TI retained stake and count-once perimeter	25% after-tax earnings enters once; no revenue, proceeds, gain or separate value is duplicated	MATERIAL_RESOLVED
Scenario NCI / parent attribution	Central 88%/92%/95% is scenario-specific; disclosed bounds do not move a controlling central case by 2 points	MATERIAL_RESOLVED
14x/16x/20x exit P/Es	A 20x Base sensitivity adds 4.19 points, but the sealed two-sided preflight explains why 16x controls and the decision is unchanged	MATERIAL_RESOLVED
Scenario probabilities	A 10-point Bull-to-Bear shift lowers expected IRR 3.51 points; explicit asymmetric weights and robust negative conclusion resolve decision risk	MATERIAL_RESOLVED

Return-model objection	Quantitative consequence	Classification
Zero distributions	Five annual EUR 0.70 dividends would lift Base IRR only about 0.69 point; larger payouts lack a source-bound cadence	IMMATERIAL
Dilution path	A ±5% terminal-share sensitivity does not change the conclusion and is already bounded	IMMATERIAL
P/E cash/debt/provision treatment	Financing effects stay inside EPS; no post-P/E adjustment or double count exists	MATERIAL_RESOLVED

RETURN_MODEL_OBJECTION_STATUS: MATERIAL_RESOLVED

No material unresolved return objection remains and no upstream route is required. The repair sequence correctly routed foundational issues through S and VP, then reran CS and CSA. Sensitivities above are non-controlling and do not revise audited returns, scores or authority.

8. P&C insurer bridge

Not triggered. Siemens Energy is an industrial energy-technology issuer, not a property-and-casualty insurer or reinsurer. No insurer return bridge is required.

9. Quantitative kill signal

Kill signal: at each of the next two earnings releases, Siemens Gamesa's trailing-four-quarter order intake remains **below 0.80x segment revenue**, with **Profit before Special Items margin below 0% in either quarter**. This is intentionally stricter than reacting to one lumpy order quarter. Two consecutive confirmations of under-booking plus renewed loss would invalidate the Base assumptions that orders recover toward revenue, backlog stabilizes near EUR 24bn, New Units crosses into profit and the terminal margin reaches 3%.

An immediate override also applies if Siemens Gamesa discloses a new quality or onerous-contract provision addition of **EUR 0.5bn or more** before that two-report window ends. That is more than the repaired terminal annual Gamesa Base profit and roughly 14% of the FY2025 provision stock; it would demonstrate that the legacy runoff thesis has been replaced by a new defect cohort.

10. Conviction after the rerun

Thesis does not survive. The repaired model is now internally coherent, but coherence exposes rather than cures the valuation problem. Gas and Grid can be excellent franchises, Gamesa can reach a modest 3% margin, TI can be counted once, and the Bull case can nearly clear the separate P/E-15 entry gate—yet EUR 140.82 still produces negative Base and expected returns and only 7.36% gross EUR in Bull. The narrative should be written around a potentially improving industrial company priced beyond the audited five-year earnings bridge, not around a compounder temporarily obscured by repair costs.

Appendix D - Data Package (raw historical and source bridge)

Siemens Energy — Data Package

Run ID: `pulse-cio-20260911T040231+0800` Mode: Production Information cutoff: 2026-09-11 04:51 +08:00 Reporting currency and scale: EUR millions unless stated otherwise Latest complete period: Q3 FY2026 ended 2026-06-30, released 2026-08-05 TTM: FY2025 minus 9M FY2025 plus 9M FY2026, ended 2026-06-30 Exact terminal horizon for downstream modeling: 2031-06-30 `trade_execution_authorized=false`

Source register and live-fetch control

All quantitative and qualitative evidence below was checked against live pulls made in this D-stage run. No local data-warehouse file was read as evidence. New FMP pulls were copied without overwrite to `C:\Users\Admin\OneDrive\Cowork\Investing\data warehouse\FMP\ENR.DE\2026-09-11_pulse-cio-20260911T040231+0800` only after retrieval. FMP endpoint labels below refer to the key-safe `/stable/` requests made with the installed helper.

Source ID	Live source	Period or purpose	Archived path or DR live control
FMP-IS-A	`/stable/income-statement?symbol=ENR.DE&period=annual`	FY2021-FY2025 consolidated history	`raw/pulse-cio-20260911T040231+0800/D_live/income_annual.json`
FMP-BS-A	`/stable/balance-sheet-statement?symbol=ENR.DE&period=annual`	Balance sheet and invested capital	`raw/pulse-cio-20260911T040231+0800/D_live/balance_annual.json`
FMP-CF-A	`/stable/cash-flow-statement?symbol=ENR.DE&period=annual`	Cash flow and capital allocation	`raw/pulse-cio-20260911T040231+0800/D_live/cashflow_annual.json`
FMP-PROD-A	`/stable/revenue-product-segmentation?symbol=ENR.DE&period=annual`	Mandatory product check; returned `[]`	`raw/pulse-cio-20260911T040231+0800/D_live/product_annual.json`
FMP-PROD-Q	`/stable/revenue-product-segmentation?symbol=ENR.DE&period=quarter`	Mandatory product check; returned `[]`	`raw/pulse-cio-20260911T040231+0800/D_live/product_quarter.json`
FMP-GEO-A	`/stable/revenue-geographic-segmentation?symbol=ENR.DE&period=annual`	Mandatory geography check; returned `[]`	`raw/pulse-cio-20260911T040231+0800/D_live/geo_annual.json`
AR25	[Annual Report 2025](https://assets.siemens-energy.com/dam/32b27e9a-af91-4915-8b51-b3af012d0d98/A-Siemens_Energy_Annual_Report_2025-pdf_Original%20file.pdf)	FY2025, FY2024 comparatives, segment note, provisions	`raw/pulse-cio-20260911T040231+0800/D_live/Annual_Report_2025.pdf`
AR24	[Annual Report 2024](https://assets.siemens-energy.com/dam/6974f976-432a-4ed9-ba61-b24301167dc8/A-Siemens-Energy-Annual-Report-2024-pdf_Original%20file.pdf)	FY2024, FY2023 comparatives	`raw/pulse-cio-20260911T040231+0800/D_live/Annual_Report_2024.pdf`
AR23	[Annual Report 2023](https://www.siemens-energy.com/annual-report-2023)	FY2023 and recast FY2022 segment history	`raw/pulse-cio-20260911T040231+0800/D_live/Annual_Report_2023.pdf`
AR22	[Annual Report 2022](https://assets.siemens-energy.com/dam/a53b116d-b976-47cb-b9c5-b037009bb85c/2022-12-12-Siemens-Energy-AG-Annual-Report-2022-pdf_Original%20file.pdf)	FY2022 and FY2021 statutory comparison	`raw/pulse-cio-20260911T040231+0800/D_live/Annual_Report_2022.pdf`
AR21	[Annual Report 2021](https://assets.siemens-energy.com/dam/8645bda3-d1f6-4bd3-bdb8-b03400a3ffc5/2021-12-07-Siemens-Energy-AG-Annual-Report-2021-pdf_Original%20file.pdf)	FY2021 legacy taxonomy and statements	`raw/pulse-cio-20260911T040231+0800/D_live/Annual_Report_2021.pdf`
Q4-25	[Q4 FY2025 earnings release](https://assets.siemens-energy.com/dam/b17980ef-1d11-4d4a-8c24-b394012dd9f4/2025-11-13_Earnings-Release-Q4-FY25-pdf_Original%20file.pdf)	Quarter ended 2025-09-30	`raw/pulse-cio-20260911T040231+0800/D_live/Q4_FY2025.pdf`

Source ID	Live source	Period or purpose	Archived path or DR live control
Q1-26	[Q1 FY2026 earnings release](https://assets.siemens-energy.com/dam/f8b7f2d2-e4f2-4fe5-8295-b3ee005765a4/2026-02-11_Earnings-Release-Q1-FY26-pdf_Original%20file.pdf)	Quarter ended 2025-12-31	`raw/pulse-cio-20260911T040231+0800/D_live/Q1_FY2026.pdf`
Q2-26	[Q2 FY2026 earnings release](https://assets.siemens-energy.com/dam/d38d682a-d64f-4f9e-b4fe-b4480041e5ea/2026-05-12-Earnings_Release_Q2_FY26_EN-pdf_Original%20file.pdf)	Quarter ended 2026-03-31	`raw/pulse-cio-20260911T040231+0800/D_live/Q2_FY2026.pdf`
H1-26	[Half-year Financial Report FY2026](https://assets.siemens-energy.com/dam/03cdb4e6-b27a-4272-a911-b4480041e7ca/2026-05-12-Half-year_financial_report-2026-pdf_Original%20file.pdf)	Six months ended 2026-03-31; contract liabilities	`raw/pulse-cio-20260911T040231+0800/D_live/H1_FY2026.pdf`
Q3-26	[Q3 FY2026 earnings release](https://assets.siemens-energy.com/dam/30018eed-275d-4e73-811e-b49d004cdc3d/2026-08-05-Earnings_Release_Q3_FY26_EN-pdf_Original%20file.pdf)	Quarter ended 2026-06-30	`raw/pulse-cio-20260911T040231+0800/D_live/Q3_FY2026.pdf`
P4-25	[Q4 FY2025 analyst presentation](https://assets.siemens-energy.com/dam/4aa07956-ca76-49a5-a17d-b394012dd927/2025-11-13_Q4-Analyst-presentation-final_print-pdf_Original%20file.pdf)	Gas-turbine bookings, backlog conversion, guarantees	`raw/pulse-cio-20260911T040231+0800/DR_live_repull/P425_dr_live.pdf`
P1-26	[Q1 FY2026 analyst presentation](https://assets.siemens-energy.com/dam/d5e24758-5d19-44f7-b57d-b3ee0057e335/2026-02-11_Q1_Analyst_presentation-pdf_Original%20file.pdf)	Gas-turbine commitments, advances, quality cash out	`raw/pulse-cio-20260911T040231+0800/DR_live_repull/P126_dr_live.pdf`
P2-26	[Q2 FY2026 analyst presentation](https://assets.siemens-energy.com/dam/41a65182-38a3-48d9-a4ee-b4480041e3f9/2026-05-12_Q2_Analyst_presentation_final-pdf_Original%20file.pdf)	Gas-turbine commitments, advances, capital return	`raw/pulse-cio-20260911T040231+0800/DR_live_repull/P226_dr_live.pdf`
P3-26	[Q3 FY2026 analyst presentation](https://assets.siemens-energy.com/dam/3e846440-66dd-4a56-be75-b49d004e6741/2026-08-05_Q3_Analyst_presentation-pdf_Original%20file.pdf)	Capacity ramp, firm commitments, backlog conversion, cash flow	`raw/pulse-cio-20260911T040231+0800/DR_live_repull/P326_dr_live.pdf`

0a. Industry classification and disclosure inventory

Siemens Energy is a German IFRS industrial energy-technology issuer, not a commodity producer. Its fiscal year ends September 30. The controlling source set is the annual report, local-exchange quarterly statements, analyst presentations, and IR releases. The company has no SEC CIK and does not file U.S. 10-Q or 10-K reports. FMP classifies it as Industrials / Industrial Machinery, but all FMP product and geographic segmentation pulls were empty. Therefore the foreign-issuer inventory is mandatory and official reporting controls.

The ad hoc industry checklist used these search terms: `orders`, `book-to-bill`, `order backlog`, `New Units`, `Service`, `product business`, `solutions business`, `gas turbines`, `transformers`, `HVDC`, `Compression`, `onshore`, `offshore`, `warranties`, `onerous contracts`, `free cash flow pre tax`, `segment assets`, `capacity expansion`, `tariffs`, `reservation fees`, `contract liabilities`, and `margin quality`. The official table names checked were Results of operation, Orders and Revenue, Profitability, Note 15 Provisions, Note 26 Segment information, Disaggregation of external revenue of Segments, and the quarterly Business Area tables.

Dataset or table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Segment economics	AR21-AR25; Q4-25 to Q3-26	Orders and Revenue; Profitability; Segment information	Recast FY2022-FY2025; four latest quarters	Yes	FY2021 is legacy Gas and Power taxonomy	Segment forecasts and rollup
Industry KPIs	AR23-AR25; Q4-25 to Q3-26	Backlog; book-to-bill; New Units; Service; margin quality	Recast FY2022-FY2025; Q3 FY2026	Yes	Product-level unit volumes and ASP are true non-disclosures	Backlog conversion and moat
Wind risk	AR23-AR25; latest releases	Warranties; onerous contracts; 4.X; 5.X; offshore ramp	FY2023-FY2025; latest quarterly direction	Yes	Failure-rate sensitivity by platform is not quantified	Wind downside and cash retention

Dataset or table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Capital by unit	AR23-AR25 Note 26	Assets; capex; free cash flow pre tax	Recast FY2022-FY2025	Yes	FY2021 excluded at current-segment taxonomy boundary	Segment capital intensity
Recent trend	Q4-25 to Q3-26	Segment revenue; Profit before SI; backlog	Last four quarters	Yes	None	Recency and FY2026 exit run-rate
Geographic economics	AR25 Note 27	Revenue by location of customer	FY2024-FY2025	Yes	FMP geography endpoint empty	Demand exposure

KPI family	Granularity	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim	Source path
Order backlog, EUR bn	Group	84	97	112	123	138	162 at Q3 FY2026	AR21-AR25; Q3-26
Order backlog, EUR bn	Gas Services	n/c	42	41	45	54	73 at Q3 FY2026	AR23-AR25; Q3-26
Order backlog, EUR bn	Grid Technologies	n/c	15	23	33	42	51 at Q3 FY2026	AR23-AR25; Q3-26
Order backlog, EUR bn	Transformation of Industry	n/c	6	7	8	8	8 at Q3 FY2026	AR23-AR25; Q3-26
Order backlog, EUR bn	Siemens Gamesa	33 legacy	35	42	38	36	31 at Q3 FY2026	AR21; AR23-AR25; Q3-26
Order intake, EUR bn	Group	33.0	38.312	50.446	50.226	58.928	17.926 in Q3 FY2026	AR21-AR25; Q3-26
Order intake, EUR bn	Gas Services	n/c	11.813	12.907	16.365	22.996	9.967 in Q3 FY2026	AR23-AR25; Q3-26
Order intake, EUR bn	Grid Technologies	n/c	10.416	15.798	20.901	21.423	5.367 in Q3 FY2026	AR23-AR25; Q3-26
Order intake, EUR bn	Transformation of Industry	n/c	5.650	5.571	6.413	6.003	1.809 in Q3 FY2026	AR23-AR25; Q3-26
Order intake, EUR bn	Siemens Gamesa	n/c	11.598	16.836	7.255	9.324	1.050 in Q3 FY2026	AR23-AR25; Q3-26
Group book-to-bill	Group	1.16	1.32	1.62	1.46	1.51	1.57 in Q3 FY2026	AR21-AR25; Q3-26
Service share of revenue	Group	33.1%	34.8%	35.7%	35.4%	34.4%	TTM disclosed dollars imply 32.7%	AR21-AR25; Q3-26
Segment Profit before SI	Four current segments	n/c	268 total	negative 2,545 total	596 total	2,653 total	4,615 TTM	AR23-AR25; sealed bridge

n/c means not comparable because the current reporting structure began in FY2023 and only FY2022 was recast. Group service share is calculated from the official external-revenue disaggregation; FY2021 uses the legacy Gas and Power plus SGRE taxonomy but remains comparable at the consolidated activity level.

At FY2025, segment operating assets were Gas Services EUR 1,083m, Grid Technologies negative EUR 386m, Transformation of Industry EUR 1,689m, and Siemens Gamesa negative EUR 1,236m. Negative operating assets reflect the issuer's segment definition after interest-free liabilities and customer advances, not negative enterprise value. The latest annual report's recast comparative controls where it differs from the originally reported prior-year table.

Segment capital KPI, EUR m	FY2021	FY2022	FY2023	FY2024 recast	FY2025	Source
Gas Services assets	n/c	2,139	2,782	2,535	1,083	AR23; AR24; AR25 Note 26
Grid Technologies assets	n/c	3,128	2,388	601	-386	AR23; AR24; AR25 Note 26
Transformation of Industry assets	n/c	1,970	1,856	1,778	1,689	AR23; AR24; AR25 Note 26
Siemens Gamesa assets	n/c	2,725	-183	-1,653	-1,236	AR23; AR24; AR25 Note 26
Gas Services capex and intangibles additions	n/c	133	162	241	377	AR23-AR25 Note 26
Grid Technologies capex and intangibles additions	n/c	87	142	197	242	AR23-AR25 Note 26
Transformation of Industry capex and intangibles additions	n/c	66	62	71	67	AR23-AR25 Note 26

Segment capital KPI, EUR m	FY2021	FY2022	FY2023	FY2024 recast	FY2025	Source
Siemens Gamesa capex and intangibles additions	n/c	783	724	655	586	AR23-AR25 Note 26

The original AR24 table showed FY2024 SG assets of EUR 258m and additions of EUR 818m; AR25 recast those FY2024 comparatives to negative EUR 1,653m and EUR 655m. The AR25 comparative is used. This is a documented measurement/perimeter boundary, so downstream segment ROIC must not mix the originally reported AR24 values with the recast AR25 series.

Wind-risk inventory: the controlling provision history is below. The issuer called the second family `Order related losses and risks` in FY2021-FY2022 and `onerous contracts` in later reports; the accounting perimeter is preserved rather than silently renamed.

Provision stock, EUR m	FY2021	FY2022	FY2023	FY2024	FY2025	Latest interim
Group warranties	2,634	2,425	2,992	3,721	3,792	Stock not disclosed in Q1-Q3 FY2026 releases
Siemens Gamesa warranties	n/d	1,408	1,961	2,636	2,474	Stock not disclosed in Q1-Q3 FY2026 releases
Group order-related losses / onerous contracts	911	1,067	1,847	1,411	1,287	Stock not disclosed in Q1-Q3 FY2026 releases
Siemens Gamesa order-related losses / onerous contracts	n/d	626	1,628	1,200	984	Stock not disclosed in Q1-Q3 FY2026 releases

Sources: AR21-AR25 provision notes; FY2022 Siemens Gamesa splits are the AR23 comparative. At FY2025, the SG-specific combined stock fell to EUR 3,458m from EUR 3,836m, but remained 33% of FY2025 SG revenue and cash-absorbing. AR25 says FY2026 SG cash flow will remain held back by cash use of quality provisions.

1. Reporting structure and taxonomy

Current segment / Business Area	Description	FY2025 revenue	Share of Group revenue
Gas Services	Gas and steam turbines, generators, heat pumps, maintenance, upgrades, digital and consulting services	12,198	31.2%
Grid Technologies	Grid components and turnkey systems including transformers, switchgear, HVDC, storage, digital grid and service	11,305	28.9%
Transformation of Industry	Compression, industrial steam turbines and generators, electrification and automation, electrolyzers and related service	5,723	14.6%
Siemens Gamesa	Onshore and offshore wind turbines plus operation and maintenance service	10,375	26.6%

Segment revenue includes intersegment revenue, so percentages sum to 101.3%. The EUR 524m reconciliation to consolidated revenue brings segment revenue of EUR 39,601m to Group revenue of EUR 39,077m.

IFRS perimeter: Gas Services, Grid Technologies and Siemens Gamesa are reportable segments. Transformation of Industry comprises four operating but non-reportable segments and is voluntarily presented as if it were one reportable segment. ER2 therefore uses the issuer's consistent four-Business-Area presentation and common `Profit before Special Items` basis without misstating TI's formal IFRS status.

Taxonomy flag: effective October 1, 2022, the former Gas and Power segment was divided into Gas Services, Grid Technologies, and Transformation of Industry. FY2022 was recast in AR23; FY2021 was not recast and is not directly comparable. From FY2023 onward the four-segment structure is stable. FY2025 refined internal business labels but did not change reportable segments. In Siemens Gamesa, service activities were merged with onshore and offshore activities from FY2026 operationally; the reportable segment remained Siemens Gamesa. No product dollars are back-solved across the boundary.

Geography by customer in FY2025: Europe, C.I.S., Middle East and Africa EUR 20,690m, Americas EUR 11,935m, and Asia/Australia EUR 6,453m. The U.S. contributed EUR 8,666m, or 22.2% of Group revenue, up from EUR 6,919m. Germany contributed EUR 3,808m. AR25 Note 27 controls because the FMP geography endpoint returned an empty array.

2. Consolidated historicals

FMP revenue, cash flow and balance-sheet values were live-fetched. Statutory operating income, total-company net income and diluted EPS use the controlling official statements because FMP misclassified or omitted those fields for this issuer. Values are EUR billions except EPS, shares, margin and ROIC.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue	28.482	29.005	31.119	34.465	39.077	FMP-IS-A; official tie
Statutory operating income	-0.357	-0.574	-3.257	2.125	2.149	AR22-AR25 official restated comparisons
Operating margin	-1.3%	-2.0%	-10.5%	6.2%	5.5%	Calculated
Total-company net income	-0.560	-0.712	-4.588	1.335	1.685	AR22-AR25
Diluted EPS, EUR	-0.63	-0.65	-5.47	1.35	1.60	Official statements
Diluted weighted-average shares, m	714.747	720.827	828.902	874.685	883.225	Official Note 25
Capital expenditure	0.987	1.157	1.228	1.514	1.724	FMP-CF-A
Free cash flow	0.959	1.061	0.394	1.375	4.097	FMP-CF-A; official tie
ROIC	-1.6%	-2.8%	-17.8%	14.1%	16.3%	Calculated below

ROIC definition: NOPAT equals statutory operating income multiplied by 75%, using a normalized 25% tax rate to avoid loss-year tax distortions. Invested capital equals total assets less current liabilities plus short-term debt less cash and short-term investments. The denominator is the average of beginning and ending invested capital. Average invested capital was EUR 16.259bn, EUR 15.548bn, EUR 13.746bn, EUR 11.305bn, and EUR 9.900bn for FY2021-FY2025. FY2025 NOPAT of EUR 1.612bn divided by average invested capital of EUR 9.900bn produces 16.3%. This is an analyst ROIC, not Siemens Energy's ROCE.

FMP discrepancy flag: FMP annual operating income was negative EUR 0.357bn, negative EUR 0.678bn, negative EUR 3.340bn, negative EUR 0.086bn, and positive EUR 1.569bn for FY2021-FY2025. The official statutory series above controls. The FY2025 gap is EUR 580m; the FY2024 gap is EUR 2,211m, mainly because official operating income includes equity-accounted disposal gains and FMP presents a different operating classification.

3. Segment historicals

The exact common profit metric is `Profit before Special Items`. FY2021 is not comparable under the current taxonomy; no value is invented.

Gas Services	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue, EUR bn	n/c	9.499	10.915	10.796	12.198	AR23-AR25
YoY	n/c	n/c	14.9%	-1.1%	13.0%	Calculated
Profit before Special Items, EUR bn	n/c	0.619	1.033	1.021	1.580	AR23-AR25
Margin on Profit before Special Items	n/c	6.5%	9.5%	9.5%	13.0%	Calculated

Grid Technologies	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue, EUR bn	n/c	6.285	7.181	9.280	11.305	AR23-AR25
YoY	n/c	n/c	14.3%	29.2%	21.8%	Calculated
Profit before Special Items, EUR bn	n/c	0.221	0.541	0.976	1.791	AR23-AR25
Margin on Profit before Special Items	n/c	3.5%	7.5%	10.5%	15.8%	Calculated

Transformation of Industry	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue, EUR bn	n/c	4.080	4.439	5.109	5.723	AR23-AR25
YoY	n/c	n/c	8.8%	15.1%	12.0%	Calculated
Profit before Special Items, EUR bn	n/c	0.045	0.228	0.380	0.646	AR23-AR25
Margin on Profit before Special Items	n/c	1.1%	5.1%	7.4%	11.3%	Calculated

Siemens Gamesa	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue, EUR bn	n/c	9.814	9.092	10.008	10.375	AR23-AR25
YoY	n/c	n/c	-7.4%	10.1%	3.7%	Calculated
Profit before Special Items, EUR bn	n/c	-0.617	-4.347	-1.781	-1.364	AR23-AR25
Margin on Profit before Special Items	n/c	-6.3%	-47.8%	-17.8%	-13.1%	Calculated

3a. Historical statutory-profit bridge and forecast-driver ledger

The sealed packet was independently validated by QFR. D verified the exact file bytes before reproduction. `STATUTORY_BRIDGE_SHA256: 2c26d671c9e5ee55860e94e17cf4834fea1762827cf22362ff6f39d43360d320`.

FY2025 ended 2025-09-30

Bridge line	Classification	Value	Source ID	Running subtotal
Gas Services	segment profit	1,580	FY2025_AR	1,580
Grid Technologies	segment profit	1,791	FY2025_AR	3,371
Transformation of Industry	segment profit	646	FY2025_AR	4,017
Siemens Gamesa	segment profit	-1,364	FY2025_AR	2,653
Sum of reportable segment profit	segment profit	2,653	FY2025_AR	2,653
Reconciliation to Profit of Siemens Energy	corporate_unallocated	-298	FY2025_AR	2,355
Consolidated Profit before Special Items	subtotal	2,355	FY2025_AR	2,355
Special items	operating	6	FY2025_AR	2,361
Amortization of intangible assets acquired in business combinations and goodwill impairments	operating	-212	FY2025_AR	2,149
Statutory operating income	statutory subtotal	2,149	FY2025_AR	2,149
Interest income	interest	265	FY2025_AR	2,414
Interest expenses	interest	-293	FY2025_AR	2,121
Other financial income (expenses), net	other_non_operating	92	FY2025_AR	2,213
Pretax income	statutory subtotal	2,213	FY2025_AR	2,213
Income tax (expenses) benefits	tax	-527	FY2025_AR	1,686
Net income	statutory subtotal	1,685	FY2025_AR	1,685

The EUR 1m final difference is official-source rounding and equals the sealed residual.

TTM ended 2026-06-30

Bridge line	Classification	Value	Source ID	Running subtotal
Gas Services	segment profit	1,966	TTM_OFFICIAL_SCHEDULE	1,966
Grid Technologies	segment profit	2,247	TTM_OFFICIAL_SCHEDULE	4,213
Transformation of Industry	segment profit	720	TTM_OFFICIAL_SCHEDULE	4,933

Bridge line	Classification	Value	Source ID	Running subtotal
Siemens Gamesa	segment profit	-318	TTM_OFFICIAL_SCHEDULE	4,615
Sum of reportable segment profit	segment profit	4,615	TTM_OFFICIAL_SCHEDULE	4,615
Reconciliation to Profit of Siemens Energy	corporate_unallocated	-199	TTM_OFFICIAL_SCHEDULE	4,416
Consolidated Profit before Special Items	subtotal	4,416	TTM_OFFICIAL_SCHEDULE	4,416
Special items	operating	-409	TTM_OFFICIAL_SCHEDULE	4,007
Amortization of intangible assets acquired in business combinations and goodwill impairments	operating	-185	TTM_OFFICIAL_SCHEDULE	3,822
Statutory operating income	statutory subtotal	3,822	TTM_OFFICIAL_SCHEDULE	3,822
Interest income	interest	298	TTM_OFFICIAL_SCHEDULE	4,120
Interest expenses	interest	-197	TTM_OFFICIAL_SCHEDULE	3,923
Other financial income (expenses), net	other_non_operating	65	TTM_OFFICIAL_SCHEDULE	3,988
Pretax income	statutory subtotal	3,989	TTM_OFFICIAL_SCHEDULE	3,989
Income tax (expenses) benefits	tax	-983	TTM_OFFICIAL_SCHEDULE	3,006
Net income	statutory subtotal	3,004	TTM_OFFICIAL_SCHEDULE	3,004

The EUR 1m pretax and EUR 2m net-income differences are sealed rounding residuals within the EUR 2m tolerance.

Historical bridge line	FY2025	TTM	Forecast treatment	Driver and source	Bear / base / bull rule
Reconciliation to Profit of Siemens Energy	-298	-199	Percentage of segment profit, cross-checked to fixed cost	Corporate functions and central items; AR25 Note 26	7% / 5% / 4% of positive segment profit, negative
Special items	6	-409	Independently forecast event expense	India wind disposal, restructuring and portfolio actions in Q1-Q3 FY2026	-500 / -150 / 0; bull zero only as explicit no-new-event case
Acquisition intangible amortization and goodwill impairments	-212	-185	Fixed amount with runoff	AR25 and sealed bridge	-220 / -180 / -150 annually
Interest income	265	298	Cash balance and yield schedule	Cash EUR 11,088m at Q3 FY2026	1.5% / 2.0% / 2.5% cash yield
Interest expenses	-293	-197	Gross debt and coupon schedule	Debt EUR 2,959m at Q3 FY2026	5.0% / 4.5% / 4.0% average cost
Other financial income (expenses), net	92	65	Fixed-to-zero mean reversion	AR25 and TTM schedule	-100 / 0 / 50
Income tax (expenses) benefits	-527	-983	Tax-rate schedule	FY effective rate 23.8%; TTM 24.6%	27% / 25% / 23% of pretax income

`STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING`

3b. TTM Special-items tax and parent-attribution normalization repair

This subsection repairs the current P/E denominator without changing the QFR-sealed statutory bridge. The three controlling issuer documents were fetched again on 2026-09-12 and archived in `raw/pulse-cio-20260911T040231+0800/D_repair_20260912T0423+0800/`. Their SHA-256 hashes are recorded in `source_manifest.json`. The annual report and Q3 release bytes match the prior archived copies; the H1 report was independently fetched and hash-bound. A fresh FMP quarterly income-statement pull was also archived as a control, but official total-company, tax, NCI and parent-attributable values control because FMP's `netIncome` field is on the parent perimeter and rounded by quarter.

The issuer discloses Special items by Business Area and in Reconciliation to Consolidated Financial Statements, but it does not publish a tax or NCI allocation for every Special-item row. The exact EUR -409m TTM operating adjustment is nevertheless decomposable from official tables using the same non-overlapping construction as the sealed bridge: FY2025 less 9M FY2025 plus 9M FY2026. Positive numbers below are gains and negative numbers are expenses.

Special-items perimeter, EUR m	FY2025	Less 9M FY2025	Plus 9M FY2026	TTM ended 2026-06-30	Evidence
Gas Services	-14	+9	+43	+38	AR25 full-year Profit less Profit before SI; Q3-26 nine-month SI table
Grid Technologies	-13	+8	-9	-14	AR25 and Q3-26
Transformation of Industry	-11	+9	-10	-12	AR25 and Q3-26
Siemens Gamesa	-347	+297	-189	-239	AR25 and Q3-26
Reconciliation to Consolidated Financial Statements	+390	-472	-100	-182	AR25 and Q3-26
Siemens Energy	**+6**	**-149**	**-266**	**-409**	Exact official group identity

The H1 FY2026 report identifies EUR 181m of the Siemens Gamesa amount as the loss on the 2025-12-01 closing of the Indian wind-business sale, principally the reclassification of accumulated foreign-currency translation losses; it was recognized in Other operating expenses. The remaining TTM Siemens Gamesa Special-item expense is therefore EUR 58m, derived as EUR 239m less EUR 181m. The other Business Area and reconciliation rows are official aggregate Special-item categories; the filings do not split all of them into transaction-by-transaction tax and ownership components. This is an explicit disclosure limit, not a zero-tax or zero-NCI claim.

Tax and ownership evidence	Official value	Denominator implication
TTM pretax income	EUR 3,989m	Sealed statutory endpoint
TTM income-tax expense	EUR 983m	Observed TTM effective tax rate 24.6428%
German combined statutory tax rate	32.0%	Disclosed upper tax-rate bound for the governed range; foreign subsidiaries use local rates
TTM total-company net income	EUR 3,004m	Consolidated after-tax perimeter
TTM parent-attributable net income	EUR 2,692m	Exact numerator for XETR:ENR shareholders
TTM NCI, calculated from endpoints	EUR 312m	EUR 3,004m less EUR 2,692m; direct period-line construction is EUR 311m because source tables round to EUR millions
Observed parent attribution ratio	89.6138%	EUR 2,692m divided by EUR 3,004m; conservative proxy where item-specific NCI is undisclosed

Tax attribution is partly source-bound and partly inferred. The FY2025 annual report states that the 24% annual tax rate reflected tax-free gains from the Indian-energy demerger, tax income from Siemens Gamesa integration, and Siemens Gamesa losses without corresponding tax relief. The H1 FY2026 report discloses a 25.4% group effective rate and the EUR 181m Indian wind-sale loss, but it does not disclose that transaction's tax benefit. No official filing assigns NCI to the EUR -409m TTM Special-item schedule. Accordingly, a single supposedly exact after-tax add-back would fabricate precision.

The central completion-first derivation is deliberately conservative and reproducible. It treats the EUR 239m net Siemens Gamesa Special-item expense as having no tax shield, consistent with the issuer's warning that Siemens Gamesa losses may lack corresponding tax relief. It taxes the EUR 208m of other negative Special items at the observed TTM 24.6428% effective rate, removes the EUR 38m positive Gas Services item as tax-free, and attributes the resulting after-tax adjustment to the parent at the observed 89.6138% ratio. The formula is `[239 + 208 x (1 - 983 / 3,989) - 38] x (2,692 / 3,004) = EUR 320.587m` parent after-tax add-back. This produces normalized parent-attributable income of EUR 3,012.587m.

Current denominator on exact listed-unit basis	Reported	Central normalized inference	Governed range
Parent-attributable net income, EUR m	2,692.000	3,012.587	2,930.337 to 3,113.160
Diluted XETR:ENR listed-equivalent shares, m	875.371435	875.371435	875.371435
Parent-attributable diluted EPS, EUR	3.075266	3.441496	3.347536 to 3.556387
Price, EUR per XETR:ENR ordinary share	140.82	140.82	140.82
Current P/E	45.7912x	40.9183x	39.5964x to 42.0668x

The low-EPS end assumes the maximum disclosed 32% tax shield on all EUR 447m of negative Special items, no tax on the EUR 38m positive item, and only the observed 89.6138% parent share: `[(447 x 68%) - 38] x 89.6138% = EUR 238.337m` parent add-back. The high-EPS end assumes no tax shield on the negative items, 32% tax on the positive item, and 100% parent attribution: `447 - (38 x 68%) = EUR 421.160m`. These are conservative analytical bounds, not issuer guidance. Central-case confidence is **medium-low** because the pretax items, group tax anchors and parent endpoint are official, while item-specific tax and NCI allocations are not disclosed.

Binding parent-shareholder perimeter for S: for every scenario and every year through 2031-06-30, calculate `parent-attributable net income = consolidated net income after tax - NCI` before dividing by diluted XETR:ENR listed-equivalent shares. Do not divide total-company net income by parent diluted shares. If S still lacks a source-specific NCI forecast, use 89.6138% of consolidated after-tax income as the conservative central proxy and display a 89.6138%-100% parent-attribution sensitivity; this is an earnings-mix proxy, not an ownership percentage. The listed-unit conversion remains one ordinary financial share per one XETR:ENR ordinary listed unit, with EUR/EUR FX of 1. The full-precision replay is archived as `denominator_repair_schedule.json`.

Denominator repair self-check	Result
Special-item components sum to EUR -409m	PASS: 38 - 14 - 12 - 239 - 182 = -409
Reported parent EPS replays	PASS: 2,692 / 875.371435 = EUR 3.075266
Central normalized EPS replays	PASS: 3,012.587308 / 875.371435 = EUR 3.441496
Central normalized P/E replays	PASS: 140.82 / 3.441496 = 40.9183x
Range monotonicity	PASS: higher EPS maps to lower P/E, 39.5964x to 42.0668x
Sealed statutory bridge altered	PASS: no; SHA-256 remains 2c26d671c9e5ee55860e94e17cf4834fea1762827cf22362ff6f39d43360d320
Authority flags	`trade_execution_authorized=false`; `portfolio_mutation_authorized=false`; `owner_action_authorized=false`

4. Product and sub-segment historicals

These are the finest official dollar disclosures. No gas-turbine unit revenue, transformer revenue, HVDC revenue, onshore revenue, offshore revenue, turbine ASP, or installed-base service revenue is invented.

Segment	Product	What it is	Dollar disclosure?	FY2023 / FY2024 / FY2025 revenue and source
Gas Services	New Units	New gas and steam turbines, generators and related equipment	Yes	4,169 / 3,602 / 4,096; AR23-AR25 Note 26
Gas Services	Service	Maintenance, upgrades, digital and consulting	Yes	6,615 / 6,943 / 7,973; AR23-AR25 Note 26
Grid Technologies	New Units	Grid products and turnkey solutions	Yes	6,492 / 8,528 / 10,424; AR23-AR25 Note 26
Grid Technologies	Service	Long-term service, upgrades and consulting	Yes	460 / 536 / 625; AR23-AR25 Note 26
Transformation of Industry	New Units	Compression, industrial power, electrification and hydrogen equipment	Yes	2,280 / 2,541 / 3,091; AR23-AR25 Note 26
Transformation of Industry	Service	Service and digital offerings	Yes	1,959 / 2,265 / 2,449; AR23-AR25 Note 26
Siemens Gamesa	Wind Turbines or New Units	Onshore and offshore turbine equipment and installation	Yes	7,032 / 7,565 / 7,996; AR23-AR25 Note 26
Siemens Gamesa	Operation and Maintenance or Service	Wind-farm lifecycle service	Yes	2,059 / 2,441 / 2,379; AR23-AR25 Note 26
Transformation of Industry	Sustainable Energy Systems	Electrolyzers and adjacent sustainable systems	Yes	82 / 145 / 242; AR23-AR25 operating tables
Transformation of Industry	Electrification, Automation, Digitalization	Industrial electrical, automation and digital systems	Yes	1,151 / 1,425 / 1,424; AR23-AR25 operating tables
Transformation of Industry	Industrial Steam Turbines and Generators	Industrial turbines and generators	Yes	1,428 / 1,530 / 1,657; AR23-AR25 operating tables

Segment	Product	What it is	Dollar disclosure?	FY2023 / FY2024 / FY2025 revenue and source
Transformation of Industry	Compression	Turbo and reciprocating compression systems and service	Yes	1,811 / 2,069 / 2,501; AR23-AR25 operating tables

The FY2025 external-revenue product table totals EUR 39,033m versus EUR 39,077m Group revenue; EUR 44m is external revenue not assigned in the segment product table. No back-solved values are used.

Segment	Product	Disclosure method	Last four quarters YoY growth	Source
Gas Services	New Units and Service	Directional narrative only	Q4 new units stronger; Q1 new units led; Q2 new units led; Q3 both substantial, new units faster	Q4-25 to Q3-26
Grid Technologies	Product and Solutions	Directional narrative only	Q4 product led; Q1 solutions led; Q2 switchgear and transformers led; Q3 product led	Q4-25 to Q3-26
Transformation of Industry	Four named businesses	Q4 dollar table; other quarters qualitative	Q4 SES 128.1%, EAD -1.8%, STG 15.8%, Compression 25.6%; Q1-Q3 no numeric sub-business rates	Q4-25 to Q3-26
Siemens Gamesa	Onshore, Offshore and Service	Directional narrative only	Q4 offshore up and onshore down; Q1 offshore up; Q2 offshore and service up; Q3 offshore and service up	Q4-25 to Q3-26

Taxonomy warning: `Product` and `Solutions` inside Grid Technologies are management business descriptors, not the Group's external-revenue categories `New Units` and `Service`. They must not be combined into invented dollar series.

The analyst presentations disclose additional Gas Services demand and capacity KPIs that are not product revenue and must not be confused with the New Units / Service table above.

Gas-turbine demand / capacity disclosure	Official value	Source
FY2025 bookings and reservations	26 GW booked; 28 GW reservations; Q4 alone booked 5 GW	P4-25 page 7
Q1 FY2026 commitments	102 gas turbines ordered; 13 GW booked; 80 GW total commitments, including 22 GW data-center related	P1-26 page 5
Q2 FY2026 commitments	12 GW booked; 87 GW total commitments, including 24 GW data-center related	P2-26 page 5
Q3 FY2026 commitments and shipment	15 GW booked, including 12 GW converted from slot-reservation agreements; 6 GW shipped; 69 GW backlog plus 26 GW slot-reservation agreements	P3-26 page 6
Medium gas-turbine production capacity	50 units in FY2025, about 80 in FY2026 and about 100 in FY2028; the FY2027 bar is not numerically labeled	P3-26 page 5
Large gas-turbine production capacity	35 units in FY2025, about 35 in FY2026, about 50 in FY2027 and 50-plus in FY2028	P3-26 page 5
Grid product capacity	Power-transformer GVA capacity and gas-insulated-switchgear unit capacity each targeted to rise about 50% by FY2030	P3-26 page 5

These capacity figures bound backlog conversion: P3-26 says existing backlog covers about 95% of Q4 FY2026 expected revenue and about 87% of FY2027 expected revenue, while backlog project margins improved across almost all Business Areas except TI. The capacity schedule, not demand alone, is the near-term volume constraint.

5. Most recent quarterly trend

Siemens Energy FY ends September 30. Most recently completed fiscal quarter at time of writing: FY2026 Q3, covering April-June 2026, reported on 2026-08-05 via the [official release](https://assets.siemens-energy.com/dam/30018eed-275d-4e73-811e-b49d004cdc3d/2026-08-05-Earnings_Release_Q3_FY26_EN-pdf_Original%20file.pdf).

Gas Services quarter	Revenue, EUR bn	Comparable YoY	Profit before SI margin	Backlog, EUR bn	Source
Q4 FY2025	3.094	15.5%	8.1%	54	Q4-25, 2025-11-13
Q1 FY2026	3.097	13.9%	16.6%	60	Q1-26, 2026-02-11
Q2 FY2026	3.478	15.0%	15.9%	66	Q2-26, 2026-05-12
Q3 FY2026	3.756	20.8%	17.3%	73	Q3-26, 2026-08-05

Grid Technologies quarter	Revenue, EUR bn	Comparable YoY	Profit before SI margin	Backlog, EUR bn	Source
Q4 FY2025	3.145	19.2%	14.7%	42	Q4-25, 2025-11-13
Q1 FY2026	3.054	26.9%	17.6%	45	Q1-26, 2026-02-11
Q2 FY2026	3.067	12.3%	17.1%	49	Q2-26, 2026-05-12
Q3 FY2026	3.624	28.6%	19.9%	51	Q3-26, 2026-08-05

Transformation of Industry quarter	Revenue, EUR bn	Comparable YoY	Profit before SI margin	Backlog, EUR bn	Source
Q4 FY2025	1.614	19.8%	11.0%	8	Q4-25, 2025-11-13
Q1 FY2026	1.303	0.5%	11.8%	8	Q1-26, 2026-02-11
Q2 FY2026	1.422	5.4%	12.0%	8	Q2-26, 2026-05-12
Q3 FY2026	1.527	11.5%	14.3%	8	Q3-26, 2026-08-05

Siemens Gamesa quarter	Revenue, EUR bn	Comparable YoY	Profit before SI margin	Backlog, EUR bn	Source
Q4 FY2025	2.744	-8.7%	-11.0%	36	Q4-25, 2025-11-13
Q1 FY2026	2.355	3.9%	-2.0%	34	Q1-26, 2026-02-11
Q2 FY2026	2.526	0.4%	-1.7%	33	Q2-26, 2026-05-12
Q3 FY2026	2.743	13.5%	2.7%	31	Q3-26, 2026-08-05

Segment order intake, EUR bn	Q4 FY2025	Q1 FY2026	Q2 FY2026	Q3 FY2026	Source
Gas Services	4.769	8.751	8.869	9.967	Q4-25 to Q3-26 official segment tables
Grid Technologies	6.880	5.964	6.996	5.367	Q4-25 to Q3-26 official segment tables
Transformation of Industry	1.629	1.579	1.254	1.809	Q4-25 to Q3-26 official segment tables
Siemens Gamesa	1.123	1.556	0.846	1.050	Q4-25 to Q3-26 official segment tables

Q3 FY2026 group orders were EUR 17.926bn, revenue EUR 11.447bn, Profit before SI EUR 1.623bn, and free cash flow pre tax EUR 2.319bn. Group backlog reached EUR 162bn. The wind segment's first positive quarterly Profit before SI since FY2022 is material, but its backlog fell for three consecutive quarters and the quarter benefited from continued provision-funded remediation.

6. Management commentary on forward growth

The official analyst calls are recordings without an issuer transcript. The live official earnings releases and annual report were therefore used. Quotes attributed to Christian Bruch are from the release cover; segment comments are explicitly identified as unattributed corporate-release text. No transcript cache or model-memory quote is used.

Group and Gas Services

Date and speaker	Verbatim quote	Topic	Modeling implication
2026-08-05, Christian Bruch, CEO	“Global demand for electricity — and consequently for our products — remained strong”	Group demand	Supports near-term volume, not perpetual growth
2026-08-05, corporate release, unattributed	“order backlog increased to €73bn”	Gas backlog	More than five years of FY2025 GS revenue
2026-08-05, corporate release, unattributed	“increased profitability of the processed order backlog in the new units business”	Gas margin quality	Backlog mix is improving realized margins
2026-05-12, corporate release, unattributed	“customer payments related to strong order momentum”	Cash flow	Advances accelerate cash and may reverse on delivery

Date and speaker	Verbatim quote	Topic	Modeling implication
2026-05-12, corporate release, unattributed	“comparable revenue growth of 16% to 18%”	FY2026 Gas guidance	Anchor FY2026 revenue, not FY2031 growth
2026-02-11, corporate release, unattributed	“improved margin quality of the processed order backlog”	Gas execution	Supports mid-teens margin near term
2025-11-13, corporate release, unattributed	“higher volume and improved margin quality of the processed order backlog”	Gas profit	Confirms improvement predates FY2026
2025-11-13, corporate release, unattributed	“around €11 billion of the order backlog ... expected to result in revenue”	FY2026 conversion	Direct annual conversion anchor from AR25 outlook

Grid Technologies

Date and speaker	Verbatim quote	Topic	Modeling implication
2026-08-05, corporate release, unattributed	“order backlog increased to €51bn”	Grid backlog	Roughly 4.5 times FY2025 revenue
2026-08-05, corporate release, unattributed	“Growth was supported by expanded production capacities”	Capacity	Forecast must include capacity ramp, not only demand
2026-08-05, corporate release, unattributed	“improved margin profile of the processed order backlog”	Margin quality	Supports high-teens margin while backlog converts
2026-05-12, corporate release, unattributed	“plans to achieve a comparable revenue growth of 25% to 27%”	FY2026 Grid guidance	Current growth is exceptional and backlog-driven
2026-05-12, corporate release, unattributed	“Profit margin before Special items between 18% and 20%”	FY2026 Grid margin	Primary near-term margin anchor
2026-02-11, corporate release, unattributed	“The substantial increase in the solutions business was the main driver”	Grid mix	Solutions timing can move quarterly growth
2025-11-13, corporate release, unattributed	“product business exceeded solutions business”	Grid mix	Product capacity expansion matters to conversion
2025-11-13, corporate release, unattributed	“around €12 billion ... expected to result in revenue”	FY2026 conversion	Direct conversion anchor from AR25 outlook

Transformation of Industry

Date and speaker	Verbatim quote	Topic	Modeling implication
2026-08-05, corporate release, unattributed	“all businesses contributing”	Breadth	Q3 growth was broad rather than one product
2026-08-05, corporate release, unattributed	“positive project-related one-off effects”	Margin quality	Do not annualize the full Q3 14.3% margin
2026-05-12, corporate release, unattributed	“comparable revenue growth of 5% to 7%”	FY2026 TI guidance	Mid-single-digit full-year anchor
2026-05-12, corporate release, unattributed	“Profit margin before Special items of 11% to 13%”	FY2026 TI margin	Current profitability band
2026-02-11, corporate release, unattributed	“Revenue remained nearly unchanged”	Q1 trend	Shows lumpiness despite backlog
2025-11-13, corporate release, unattributed	“improved margin quality of the processed order backlog”	TI margin	Better project mix is a repeatable driver
2025-11-13, corporate release, unattributed	“Compression business” generated the primary quarterly revenue growth	TI mix	Compression is largest and cyclical
2025-11-13, AR25 outlook, unattributed	“around €4 billion ... expected to turn into revenue”	FY2026 conversion	About 70% of FY2025 TI revenue already scheduled

Siemens Gamesa

Date and speaker	Verbatim quote	Topic	Modeling implication
2026-08-05, Christian Bruch, CEO	“our wind business has returned to profitability in a quarter”	Turnaround	Positive quarter is milestone, not proof of full-cycle profitability
2026-08-05, corporate release, unattributed	“productivity gains and increased cost efficiency”	Wind margin	Main operational improvement drivers
2026-08-05, corporate release, unattributed	“Profit before Special items at break-even”	FY2026 wind guidance	Full-year anchor remains zero despite positive Q3

Date and speaker	Verbatim quote	Topic	Modeling implication
2026-05-12, corporate release, unattributed	“first orders for the SG 7.0 platform”	Onshore reset	Commercial restart is early and execution-sensitive
2026-05-12, corporate release, unattributed	“productivity improvements and increased cost efficiency”	Wind margin	Q2 loss reduction was operationally supported
2026-02-11, corporate release, unattributed	“timing effects offsetting throughout the year”	Wind earnings quality	Q1 improvement should not be annualized
2025-11-13, corporate release, unattributed	“execution of low margin contracts in the onshore business”	Legacy backlog	Loss-making contracts remain a drag
2025-11-13, AR25 outlook, unattributed	“cash effect of the provisions made for quality issues”	Cash retention	Accounting recovery can precede cash recovery

Management-commentary gap: no issuer-provided text transcript or segment-head transcript was available; analyst-conference recordings were identified but not transcribed. The package therefore uses short, verified official excerpts and does not manufacture speaker attribution.

7. Capital allocation history

Year	Capex, EUR bn	Capex / revenue	R&D, EUR bn	R&D / revenue	Treasury shares, EUR bn	Parent dividends, EUR bn	Acquisitions net, EUR bn	Source
FY2021	0.987	3.5%	1.155	4.1%	0.231	0.000	-0.001	FMP-CF-A; FMP-IS-A
FY2022	1.157	4.0%	1.078	3.7%	0.000	0.000	-0.002	FMP-CF-A; FMP-IS-A
FY2023	1.228	3.9%	1.123	3.6%	0.130	0.000	-0.138	FMP-CF-A; FMP-IS-A
FY2024	1.514	4.4%	1.209	3.5%	0.130	0.000	0.277	FMP-CF-A; FMP-IS-A
FY2025	1.724	4.4%	1.210	3.1%	0.170	0.000 paid	0.024	FMP-CF-A; FMP-IS-A

FMP's signed `acquisitionsNet` field is preserved; it is not relabeled as gross M&A spend. Treasury-share purchases mainly support share plans and are not assumed to be economic share retirement. The first post-restriction dividend, EUR 0.70 per share for FY2025, was proposed in November 2025 and paid in FY2026. TTM through June 2026 included EUR 601m of dividends and EUR 2,288m of treasury-share purchases, materially reducing the cash retained from TTM free cash flow of EUR 7,791m.

The mandatory convertible note converted into 61,795,202 new shares in July and September 2025. Issued shares rose to 861,104,914 from 799,309,712. Diluted weighted-average shares rose from 714.747m in FY2021 to 883.225m in FY2025. Downstream valuation must use the QFR-sealed 875.371m TTM diluted basis, not FMP's basic-share market capitalization.

8. Balance-sheet snapshot and cash retention

Item at FY2025	EUR bn	Source
Cash and cash equivalents	9.162	AR25; FMP-BS-A
Short-term investments or current other financial assets	1.031	FMP-BS-A; AR25 balance sheet label is other financial assets
Total debt, current plus long-term	3.966	AR25; FMP-BS-A
Simple net debt or net cash	-5.196	Cash less debt; net cash shown negative
Adjusted net debt or net cash	-4.790	Issuer KPI in AR25
Adjusted net debt / EBITDA	n/a	Issuer reports n/a because adjusted net cash; EBITDA EUR 3.930bn
Goodwill plus intangible assets	11.487	FMP-BS-A; AR25
Parent stockholders' equity	10.301	FMP-BS-A
Tangible parent book value	-1.186	Parent equity less goodwill and intangibles

Customer advances are a long-duration financing source but also an execution obligation. The clean historical and interim series is:

Contract liabilities, EUR bn	FY2021	FY2022	FY2023	FY2024	FY2025	Q2 FY2026	Q3 FY2026
Balance	10.350	13.010	15.984	18.867	22.321	27.045	28.071
Source	AR22	AR22	AR23	AR24	AR25	H1 FY2026 report	Q3-26

At 2026-06-30, cash was EUR 11.088bn and total debt EUR 2.959bn, giving EUR 8.129bn simple net cash. Adjusted net cash was EUR 7.719bn. Contract liabilities increased to EUR 28.071bn from EUR 22.321bn at FY2025, a EUR 5.750bn rise. This is an important source of the TTM cash surge: customer advances and reservation fees are economically valuable financing, but they are tied to future execution and should not be treated as permanently distributable excess cash.

The cash burden on the wind repair program remains visible even without an interim provision-stock table: P1-26 and P2-26 disclosed EUR 101m and EUR 147m of Siemens Gamesa quality cash out in those respective quarters, and P3-26 reported Siemens Gamesa free cash flow pre tax of negative EUR 1.717bn for 9M FY2026. P3-26 also guided FY2026 interest and guarantee payments to about negative EUR 0.2bn. These outflows are counted in cash-flow analysis and are not added again as forecast plugs.

Financing control: Siemens Energy arranged a new EUR 9bn committed bank guarantee facility in June 2025 and redeemed the German government's counter-guarantee early. The dividend restriction was lifted on July 30, 2025. This improves capital flexibility, but performance guarantees remain operationally essential and could tighten if project execution or ratings weaken.

Current-price denominator evidence: the live FMP quote was EUR 140.82 on 2026-09-10. Multiplying by the sealed 875.371m TTM diluted shares gives EUR 123.271bn diluted equity value. TTM attributable income was EUR 2.692bn and diluted EPS EUR 3.0753, implying 45.79 times TTM P/E. FMP's quoted market capitalization of EUR 120.450bn uses a smaller basic-share denominator and must not replace the sealed diluted bridge.

9. Recent corporate actions and risk events

- 2025-11-13: Siemens Energy proposed a EUR 0.70 dividend, the first in four years, after the government-backed guarantee dividend restriction ended. Source: Q4-25 and AR25.
- July and September 2025: the mandatory convertible converted into 61.795m shares, a material dilution event already reflected in issued capital. Source: AR25 Note 16.
- 2026-02-11: Siemens Gamesa closed the sale of its Indian wind business; Q1 included negative EUR 175m of related special items. Source: Q1-26.
- 2026-04-23 and 2026-05-12: management raised FY2026 Group guidance to 14%-16% comparable revenue growth, 10%-12% Profit before SI margin, about EUR 4bn net income, and about EUR 8bn free cash flow pre tax, mainly due to Grid Technologies and customer payments at Gas and Grid. Source: Q2-26.
- 2026-08-05: Siemens Gamesa produced positive quarterly Profit before SI for the first time since FY2022, but its backlog fell to EUR 31bn and full-year guidance remained break-even. Source: Q3-26.
- 2026-08-05: Group backlog reached EUR 162bn and Q3 free cash flow pre tax reached EUR 2.319bn. Gas and Grid customer advances were explicit contributors. Source: Q3-26.
- FY2025 to Q3 FY2026: no reportable-segment reorganization occurred. The operational integration of Siemens Gamesa service into onshore and offshore does not create a new external reporting segment.

10. Open data gaps and taxonomy flags

- `True non-disclosure`: turbine ASPs, installed fleet size by technology, gas-turbine reservation-fee cash balance, cancellation rates, absolute backlog gross margin, transformer capacity utilization, and warranty cash-out timing by platform were not found in AR25, Q4-25, Q1-26, Q2-26, Q3-26, or the Q1-Q3 analyst presentations. Gas-turbine order counts, booked / shipped GW, slot-reservation GW and medium / large turbine production-capacity units are disclosed and are included in Section 4. Search terms included `units`, ASP, `installed base`, `reservation fees`, `cancellation`, `backlog margin`, `capacity utilization`, `failure rate`, and `cash outflow`.
- `True non-disclosure`: Gas Services gas-turbine, steam-turbine and generator revenue; Grid Technologies transformer, switchgear, HVDC and service revenue; and Siemens Gamesa onshore and offshore revenue are not separately disclosed in dollars in the checked official tables. Only the broader New Units and Service split is included.

- `True non-disclosure`: numeric quarterly product growth rates for most sub-products are not provided. Q4 FY2025 gives TI sub-business revenue and growth; other segment product comments are directional.
- `Reporting-boundary`: segment operating-assets and capex histories were backfilled to recast FY2022. AR25 materially recast FY2024 Siemens Gamesa assets and additions versus AR24; the latest comparative is used and the discrepancy is recorded in Section 0a.
- `Not applicable`: SEC 10-K, 10-Q and EDGAR transcript evidence. Siemens Energy is a German local-exchange IFRS issuer with no CIK in the live FMP profile.
- `Estimated`: analyst ROIC and tangible parent book value. Formulae and inputs are shown; no product revenue is estimated or back-solved.
- `Taxonomy flag`: FY2021 belongs to legacy Gas and Power plus Siemens Gamesa reporting. FY2022 is the first recast comparative for the four current segments. Do not splice FY2021 Gas and Power into any current segment trend.
- `Taxonomy flag`: FMP operating-income fields differ materially from official IFRS operating income. Official statements control, and the discrepancy is preserved in Section 2.
- `Taxonomy flag`: FMP product and geography endpoints returned empty arrays. This is an FMP omission, not issuer non-disclosure.
- `Taxonomy flag`: the issuer's segment metric is `Profit before Special Items`, not statutory operating income. Downstream agents must forecast that exact metric and then apply the sealed bridge.
- `Cash-quality flag`: customer advances and reservation fees support current cash flow but finance future backlog delivery. Avoid adding the full net-cash balance to value without a contract-liability and working-capital normalization.
- `Wind downside flag`: positive Q3 FY2026 Profit before SI does not extinguish EUR 3.458bn of FY2025 SG warranty and onerous-contract provisions or the associated cash outflows.

Self-verification record

Load-bearing check	Live evidence	Result
Largest Q3 segment headline growth	Q3-26 page 3 states Gas Services revenue EUR 3,756m and 20.8% comparable YoY	PASS
Verbatim management quote	Q3-26 dated 2026-08-05 contains Christian Bruch's statement that global electricity demand and demand for products remained strong	PASS
Latest fiscal-year revenue	Live FMP-IS-A FY2025 row reports EUR 39.077bn; AR25 reports EUR 39.077bn	PASS, 0.0% difference

The package is forecast-ready for the four official Business Areas modeled on the common Profit before Special Items basis. The key underwriting tension is explicit: Gas Services and Grid Technologies have unusually large, improving-margin backlogs and strong customer-financed cash generation; Transformation of Industry is smaller but profitable; Siemens Gamesa has reached quarterly break-even while still carrying large warranty and onerous-contract obligations and a declining backlog. At EUR 140.82 and 45.79 times sealed TTM EPS, replacement of a material part of EWG or POWR requires substantial durable earnings conversion rather than a simple cyclical recovery assumption.