

Capital Market Themes 12/2021:

Current Discussion Points

Vienna, 20 January 2022

Themes of Specific Investor Interest

- **Structural demand explosion vs SUPPLY CONSTRAINTS:**
 - long-term megatrends overlaid by short-term supply constraints
 - recent inflationary developments reflected in **wage pressure**
 - **productivity gains** easing upward pressure from prices?
- **INFLATION DEBATE: „transitory“ vs self-fulfilling spiral?**
 - tapering of monetary policy stimulus, forward policy guidance?
 - **cost-push factors:** supply chain disruptions, labour shortages
 - uneven inflationary shocks: US/Europe vs Asia/Emerging Markets
- **GREEN ENERGY TRANSITION: shortages in the „old economy“?**
 - chronic underinvestment in energy, basic materials and agriculture
 - „old economy’s revenge“: gas prices up, shortfalls in raw materials
 - ESG investors compounding problem by divesting hydrocarbons

Structural Demand Explosion

The intelligent world is arriving – the fusion of present, new and emerging technologies promises new possibilities and opportunities



Urban Mobility



Smart and autonomous systems incl. AI



Data Security



Human Machine Interaction



Network of green energies



Smart Health



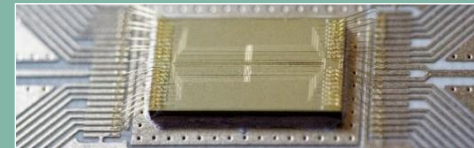
Blockchain



Ubiquitous IoT



Quantum Computing



Megatrends - Labour

Megatrends

We base our development on underlying key megatrends

wienerberger

Lack of skilled labor

The construction industry faces **skill shortages** and the need for **"on time in full" construction delivery**

Climate Change

Unpredictable weather conditions lead to water scarcity while increasing demand for energy conservation and an emission free lifestyle

System solutions

Robotization and prefabricated solutions

Creating more convenience via digitalization of processes
Training (Digital & Onsite)

Infrastructure solutions

Water management
Prevention of flooding
Irrigation
Transportation of Renewables

Sustainable living solutions

Reduce energy consumption
Improve CO₂ footprint
Implement circular economy
Water management

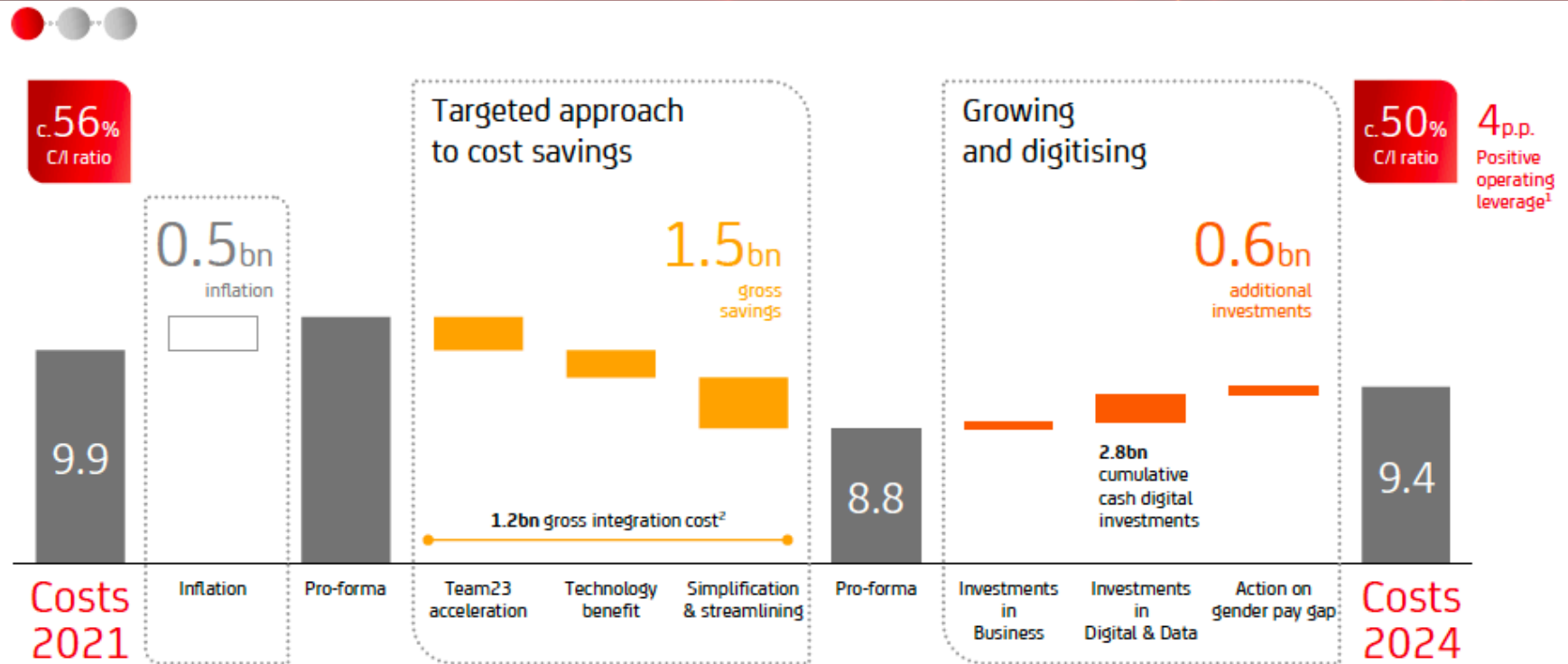


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Productivity Gains

3 levers: Cost

Driving operating leverage whilst funding higher investments



Global Supply Chains in Disarray

- **Significant COST-PUSH FACTOR**

- container rates multiplied as did logistics & services, terminals
- congestion (10% of capacity) led to delays of up to 40%
- limited container availability, long-term booking, early negotiation

- **SHORT-TERM: flexible adjustment but time delay**

- complexity reduction, onshoring, network optimisation
- cargo re-routing, additional vessels/containers, extra loaders
- new digital solutions, added IT capacity and workforce

- **LONG-TERM: change in business model**

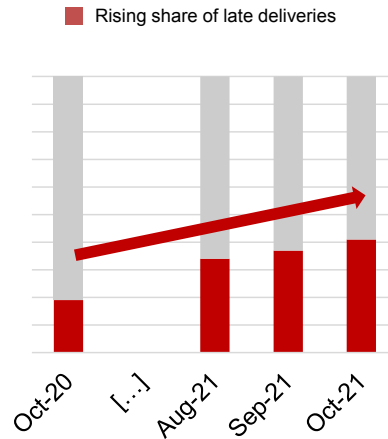
- „just in time“ seriously reconsidered (2020 wake-up call)
- Maersk: integrating modules, full end-to-end supply chain
- top-200 global customers receive preferential treatment

Supply Disruptions

Disrupted supply chains remain biggest challenge

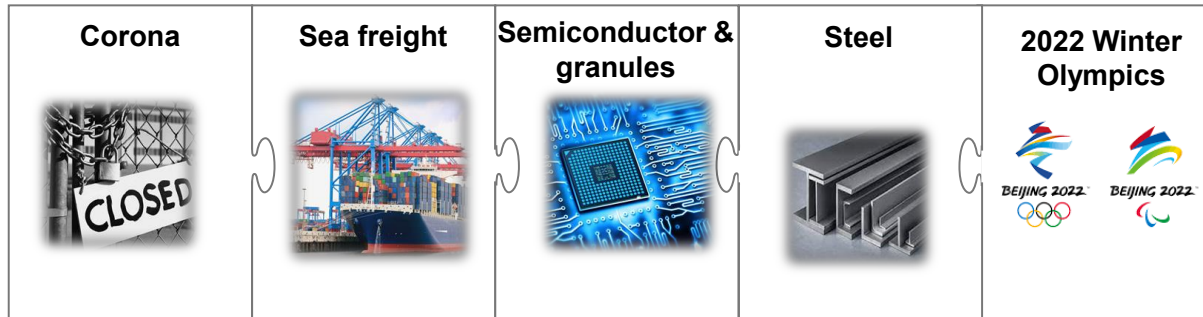
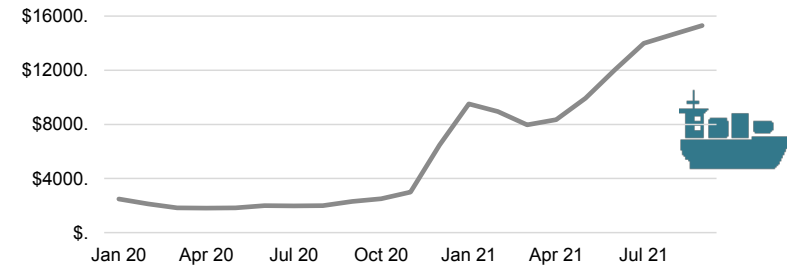
Serious supply chain
disruptions
at all Wacker Neuson plants.

Conditions
deteriorated
further in Q3/into Q4.



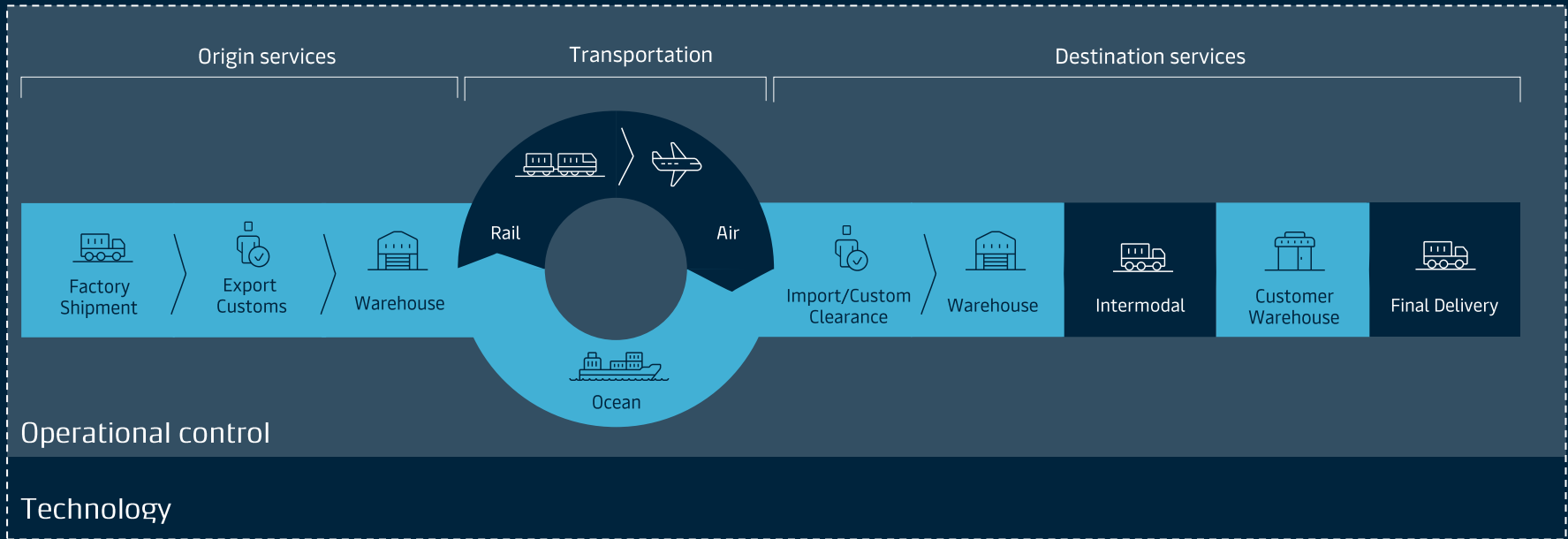
Container rates on record high

Development of transport prices for sea
freight (Shanghai to Rotterdam) for a 40ft
dry container



Plants are in
**firefighting
mode** to secure
material supplies.

Towards a New Business Model



Our winning aspiration is to create customer value by **integrating modules and leveraging network** to provide a resilient, flexible, and efficient supply chain end-to-end

Status

- Today we are building operational capabilities to cover the whole chain
- Modular value propositions supported by technology which accommodates for customers' individual preferences
- Single point of accountability to deliver a final outcome through operational excellence

Consequences

- Improved customer experience and reduced need for orchestration due to elimination of complexity
- Lower end-to-end actual costs over time



Strong Inflation Starting to Change Behaviour

- **Spurred by higher costs of ENERGY, RAW MATERIALS & TRANSPORT**
 - US PCE price index up by 5% yoy in 10/2021 (incl. energy & food)
 - US producer price index up by 8.6%, China by 13.5%
 - 30% of costs get „stuck in the system“ (Hapag-Lloyd CMD 2021)
- **Getting sticky through WAGE PRESSURE**
 - wage demands across different sectors in Europe and the US
 - labour shortages, strikes (wage inflation at 3-5%)
 - consumers bringing forward purchases (cars, kitchen appliances)
- **Companies feeling comfortable about RAISING PRODUCT PRICES**
 - robust demand and ubiquitous shortages
 - „trusted partner“: convenience, quality & availability
 - containment through productivity gains & yield management

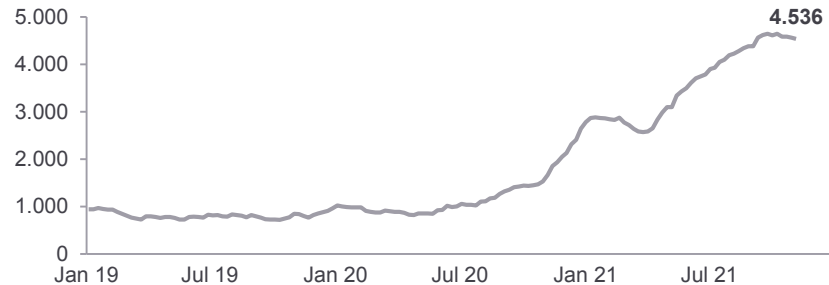
Freight & Transport Cost Inflation

Spot rates have skyrocketed as demand has bounced back
much faster than originally expected but transport cost are also rising significantly



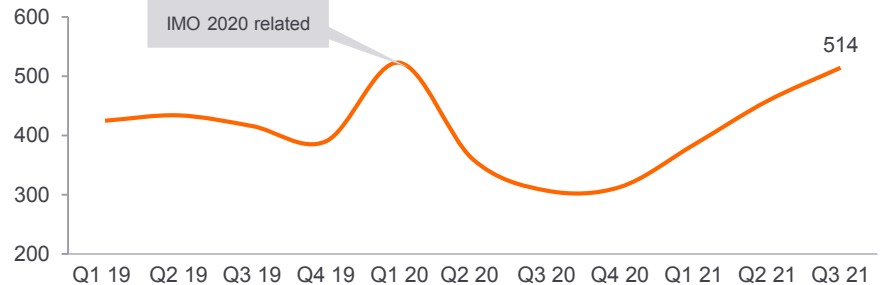
Spot freight rate development

(SCFI in USD/TEU)

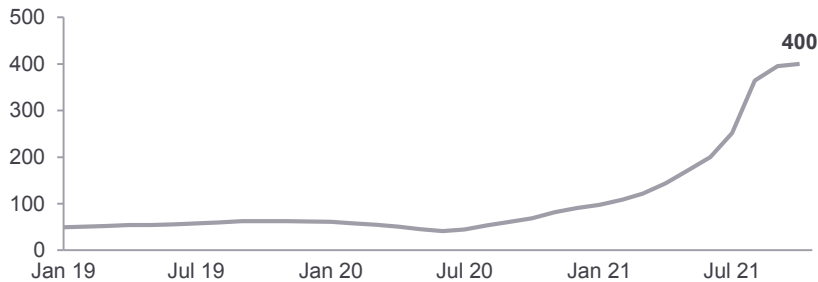


Hapag-Lloyd bunker consumption price

(in USD/t)

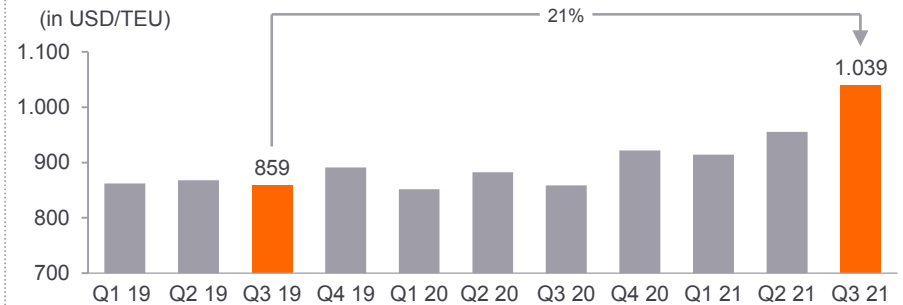


Time charter rate index



Hapag-Lloyd transport cost ex bunker

(in USD/TEU)



Yield & Contract Management

Deutsche Post DHL Group

REMINDER: Base principles remain as shown (Q2 release, Aug 4th)

Cost inflation constantly addressed through yield & contract management

	DHL Express	DGFF	DSC	DeCS	P&P Germany
Transportation costs €24bn (38% of total)	Regular general price increase (GPI) , based on bottom-up local market situation, incl. inflation; Emergency Situation Surcharge (ESS)	Freight rate development is inherent to gross profit management	Inflation based pricing: Transport provided based on management fee and partly open-book contracts	Regular general price increase (GPI) , based on bottom-up local market situation, incl. inflation	Regular general price increase (GPI) Note: Union agreement extended until 31.12.2022, providing full visibility on wage increase: 3.0% (1.1.21) and 2.0% (1.1.22)
Staff costs €22bn (35% of total)		Offset by improvements in labour productivity	Inflation-linked pricing and labour optimization		
Fuel costs €1.7bn (3% of total)	Fuel surcharge	Fuel price fluctuations are reflected in freight rate movements	Fuel surcharges / pass-through as part of customer contracts	Reflected in local cost & yield management	Opportunistic fuel hedging, many districts served by foot / bike / trike delivery

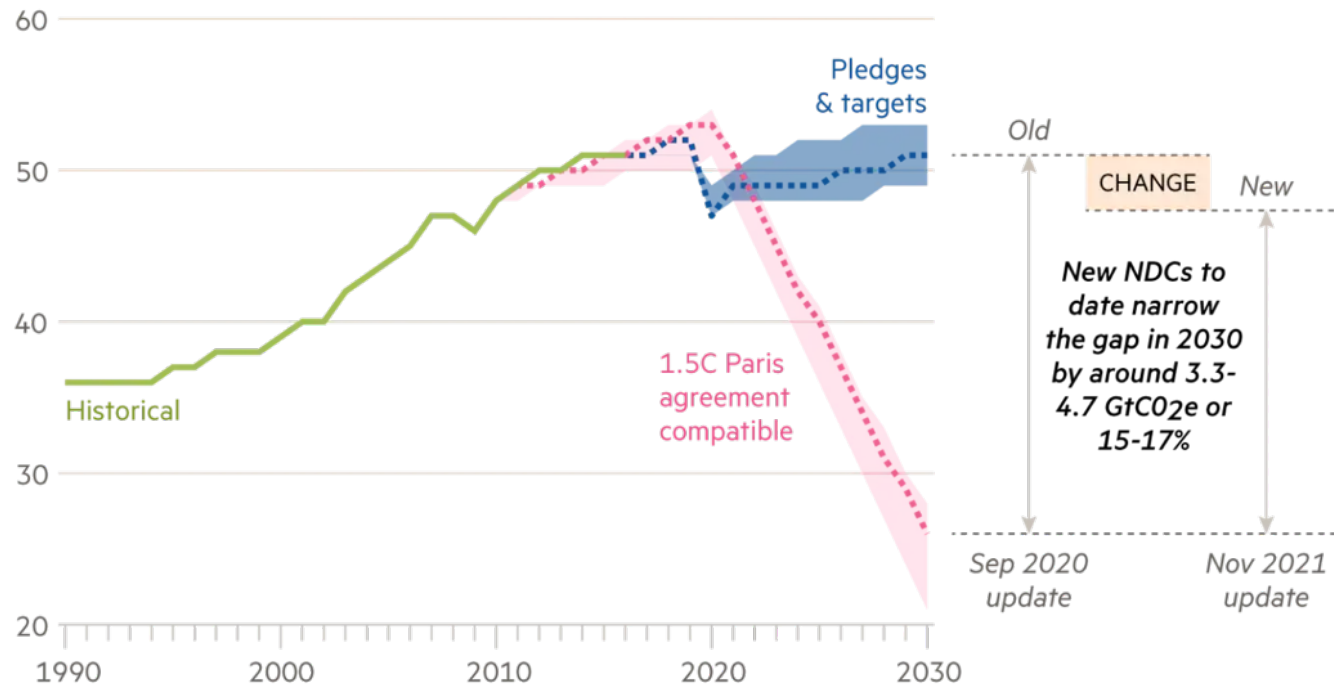
Pledging Net Zero Emission

- **COP26: Huge gap between planned and required falls in emission**
 - nationally determined contributions lower shortfall by 15-17%
 - net zero commitments now cover 80% of total emissions
 - positive signal: joint declaration between the US and China
- **TECHNOLOGY SOLUTIONS not sufficient to solve climate change**
 - technology cannot be scaled sufficiently in time
 - total demand for nelectricity, CCS or biomass cannot be met
 - critical for investors: **measuring** net zero pledges
- **Implied CORPORATE COSTS for reducing CO2 emission**
 - setting reasonable timeframe and clear targets
 - disclosing ESG capex and/or additional investments required
 - review governance, Board remuneration

Global GHG Emissions

Despite new pledges, the gap between planned and required falls in emissions remains huge

2030 emissions gap. Global GHG emissions (GtCO₂e/year)

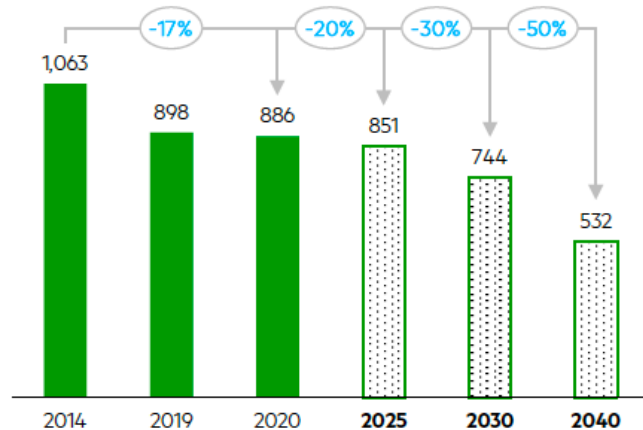


Source: Climate Action Tracker
© FT

Setting Clear Targets

Key drivers to lower emissions (scope 3)

Roadmap scope 3 reduction (in kTon)



» Scope 3 emissions ~75% KPN's total emissions

Target

- Reduce absolute scope 3 emissions by 20% by 2025, 30% by 2030 and 50% by 2040 against a 2014 baseline

How?

- Engaging with suppliers in value chain
- Selecting vendors based on sustainability criteria
- Reducing impact of materials via circular economy principles
- Introducing energy savings features using in-home equipment
- Reviewing international and local transport modes
- Engaging with key suppliers in collaboration with other telecom members of JAC

Setting Clear Targets

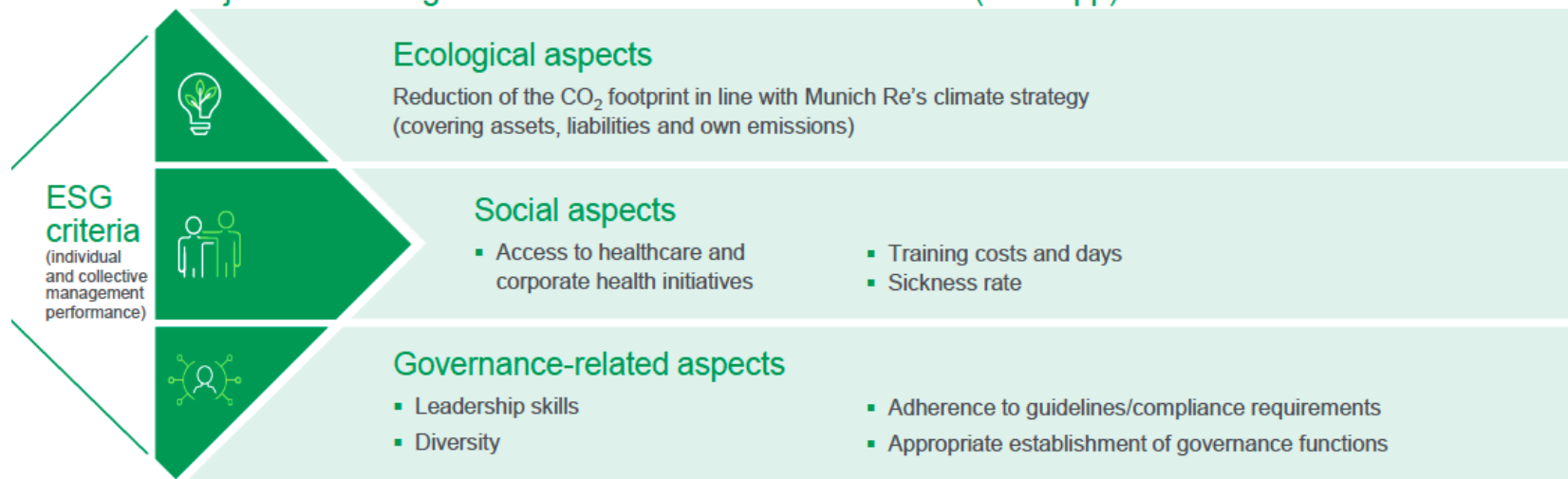
ESG at Munich Re Group



Spotlight on Board of Management

ESG criteria incorporated into variable remuneration

Overall performance assessment for annual and multi-year bonus –
Adjustment of target achievement based on ESG criteria (+/- 10 pp)



New as of 2022: Multi-year bonus with 20% ESG target(s)

ESG webinar for analysts and investors

8 December 2021

12

How to define a „normalised environment“?

- **Adjusting to the NEW NORMAL in 2022 and beyond**
 - high inventories (customer double order), pull-forward effect
 - late deliveries (up to 40%), new sourcing strategy for chips, etc.
 - market volatility, review of guidance & dividend policy
- **Containing INFLATIONARY PRESSURE**
 - pricing power and ability to recover cost inflation
 - implications for capital allocation priorities
 - impact from innovation & productivity gains
- **Incorporating costs of the GREEN ENERGY TRANSITION**
 - customers willing to pay higher premium for green products?
 - evolving regulatory landscape for decarbonisation? tax credits?
 - incentives for usage and availability of alternative fuels?

Preliminary Assumptions






2022 Eaton End Market Initial Assumptions

Electrical Sector

	Commercial & Institutional Most commercial segments will see a rebound from depressed activity in 2020/2021, while institutional is still mixed (strong healthcare, weak education)
	Data Centers & Distributed IT Hyperscale growth likely to slow from 20%+ growth in 2021 to low double-digit growth, while distributed IT growth will slow but remain solid
	Industrial Facilities Capacity concerns and reshoring in some sectors will continue to drive new manufacturing projects, while oil and gas is accelerating
	Machinery/ MOEM Early cycle growth has been exceptionally strong and though growth will slow to a more modest mid-cycle rate, underlying demand for factory MRO, automation, and capital investment remains robust given supply chain and labor shortages
	Utility Moderate growth in utility T&D expected to continue as grid hardening remains a priority, global renewables growth to pick back up after 2021 pullback
	Residential Growth will continue to cool off as affordability and long build times are weighing, though trend of increasing electrical content per home is continuing

Industrial Sector

	Commercial Aerospace Large commercial transport market growth to be very strong, driven by single-aisle production rate ramp-ups, while aftermarket is expected to experience strong positive growth as policy barriers to air travel diminish, airline capacity increases, and passenger traffic picks-up
	Military Aerospace Underlying OEM demand and backlog remain solid, though increased old aircraft retirements in favor of new aircraft procurement to weigh on aftermarket
	Commercial Vehicles Industry demand is strong globally, though supply chain issues will likely continue to hold growth back, especially in H1
	ICE Light Vehicles Growth will be strong as global demand is solid and inventory is unsustainably low, though component shortages are likely to continue to weigh on production in the short-term
	Electric Vehicles Government regulations and incentives, combined with the increase in new EV models will continue to drive EV demand, production, and share gain

 Down Significant  Flat Growth  Modest Growth  Solid Growth  Strong/Double Digit Growth

Key Focus Areas

Reduce costs through new technology adoption



2019-2021

STRONG FOUNDATIONS

€ 80 million *gross savings*¹

1 Group center of excellence leveraging global partnerships

1 central R&D team and Group automation sandbox

>7,000 employees trained

>300 robot applications across **25** entities

>1,000 processes automated



2022-2024

WIDESPREAD AND INDUSTRIALIZED AUTOMATION

€ 125 million *gross savings*²

Group Smart Automation platform to optimize investments and time to market

Computer vision to improve motor claims productivity and fraud detection

Digital assistants to enable new journeys and faster response



Input-Digitization via Optic Character Recognition



Automatic claims settlement (Health, Car, Glass, Travel)

...

30+ APIs already available

SMARTGALLERY

Claims platform to enhance process efficiency leveraging images

10% extra workforce capacity available for more value added activities

up to +15% fraud cost savings



24/7h Availability



Cost reduction



Automatic task resolution



1. Run rate at 2021
2. Run rate at 2024

28

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Key Focus Areas

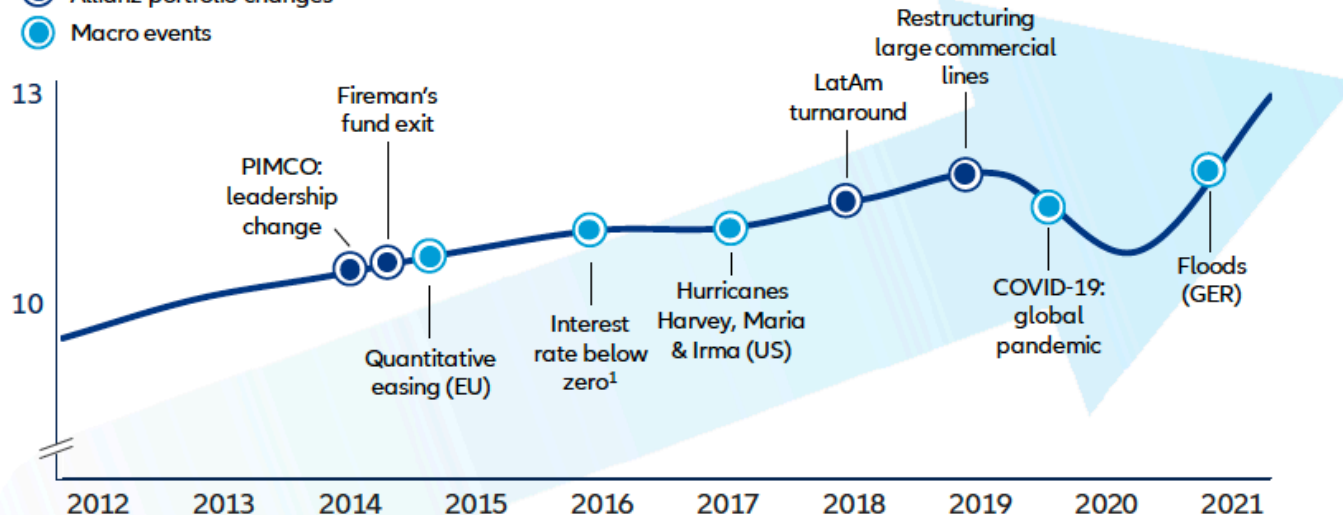
ALLIANZ CAPITAL MARKETS DAY 2021

3 Strong resilience in a challenged world

Operating profit (EUR bn)

● Allianz portfolio changes

● Macro events



Growing scale and diversification
reinforcing **resilience**

Decisive actions to transform in light of **"unavoidable" challenges** (COVID-19, NatCat, negative rates, etc.)

In parallel, customer satisfaction (NPS), employee satisfaction (IMIX), and governance/ESG scores constantly increasing

1) 10-year government bond Germany

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18

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