SIEMENS Gamesa
RENEWABLE ENERGY

10 May 2017

January-March 2017 Results

A STRONG START TO THE YEAR: RECORD REVENUES AND PROFITABILITY POINT TO ATTAINMENT OF 2017 STANDALONE GUIDANCE

Gamesa Corporación Tecnológica[1] commenced 2017 with strong results, favorably affected by the acceleration of wind projects in India, ahead of the enactment of new regulation in the fiscal year starting April 2017, and the delivery of "safe harbor" contracts signed in the US in the fourth quarter of 2016, before the April 2017 deadline. The result was record revenues and profitability, which will gradually normalize in the coming quarters to reach the 2017 guidance. Attainment of the guidance is also supported by commercial activity in the first quarter: 827 MW in new orders, bringing coverage of sales guidance for the year to 74%[2].

Revenues in the first quarter of 2017 amounted to €1,546 million, 45% more than in the year-ago quarter, and underlying EBIT totalled €181[3] million, equivalent to 53% year-on-year growth and an EBIT margin of 11.7%, i.e. 0.6 percentage points better than in Q1 16. Underlying net profit[3] increased by 47% in Q1 17 to €106 million, while reported profit amounted to €100 million.

In this context of strong growth, Gamesa maintained its commitment to a sound balance sheet, having ended the quarter with a net cash position of €257 million after paying €60 million for Areva's stake in Adwen. That is €64 million more than the cash position a year ago after generation 166 MM € in net free cash flow[4] in the last 12 months. Profitable growth and containment of the balance sheet enabled Gamesa to achieve a 28% ROCE[5] in the period, i.e. 9 percentage points more than in the year-ago quarter and 20 points more than the company's cost of capital[6].

Gamesa also made a major leap in its long-term value-creation strategy by completing the merger with Siemens Wind Power on 3 April to create a world leader in the wind power business. Upon completion of the merger, a special dividend of €3.6 per share was paid out.

Consolidated key figures Q1 17

- **Revenues:** €1,546 million (+45% y/y)
- **Underlying EBIT[3]**: €181 million (+53% y/y)
- **Underlying net profit[3]:** €106 million (+47% y/y)

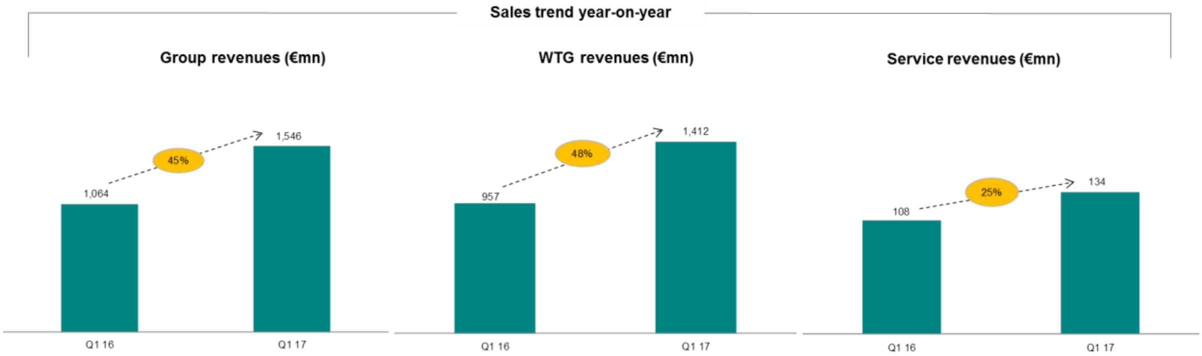
[1] Gamesa Corporación Tecnológica refers to the wind turbine manufacture business (including the development, construction and sale of wind farms, and operation and maintenance services) conducted prior to the merger with Siemens Wind Power; that merger gave rise to the current company, Siemens Gamesa Renewable Energy. The merger took place and the new company was created on 3 April 2017.
[2] Activity volume coverage is calculated as total order intake for 2017 activity over volume guidance for 2017 of 5,000 MW (activity guidance for 2017: c.5,000 MWe).
[3] In the first quarter of 2017, underlying EBIT and underlying net profit exclude €-8 million and €-6 million, respectively, of Gamesa Siemens transaction costs.
[4] For definitions and a reconciliation with the financial statements, see the section on Alternative Performance Metrics.
[5] For definitions and a reconciliation with the financial statements, see the section on Alternative Performance Metrics.
[6] The weighted average cost of capital calculated by the analysts who cover the company is 8.2%.

- **Net financial debt (NFD)[7]:** €-257 million (-0.3x EBITDA[8])
- **MWe sold:** 1,490 MWe (+40.5% y/y)
- **Firm order intake:** 827 MW (-20% vs. Q1 2016)

Gamesa Corporación Tecnológica ended the first quarter of 2017 with a record €1,546 million in revenues, 45% more than in the same period of 2016, as a result of strong growth in wind turbine manufacturing and sales and of recovering growth in services.

Revenues in the Wind Turbine Generator (WTG) division increased by 48% y/y, to €1,412 million, due to growth in activity volume to 1,490 MWe in the period, 40.5% more than in the same period of 2016. That growth was boosted by the need to fulfill the delivery deadline under "safe harbor" agreements signed in the US, and by the accelerated start-up of projects in India in view of an impending change in regulations at the end of this fiscal year. As a result, sales (MWe) tripled in the US and doubled in India. That growth will ease off in the coming quarters to reach the volume guidance of c. 5,000 MW by year-end. Brazil also experienced strong growth in activity in the first quarter, while Asia-Pacific (excl. China), LatAm (excl. Brazil) and Europe/RoW experienced a slight dip that will also be normalized and will return to positive growth as the year advances.

As predicted in 2016, O&M service revenues regained an upward trend, reaching €134 million, 25% more than in the first quarter of 2016, supported by a recovery in the fleet under maintenance, longer contracts in emerging markets and value-added products in mature markets. The total fleet under maintenance increased by 17% y/y in the first quarter to 26,166 MW, while the post-warranty fleet expanded by 10% y/y to 17,062 MW.



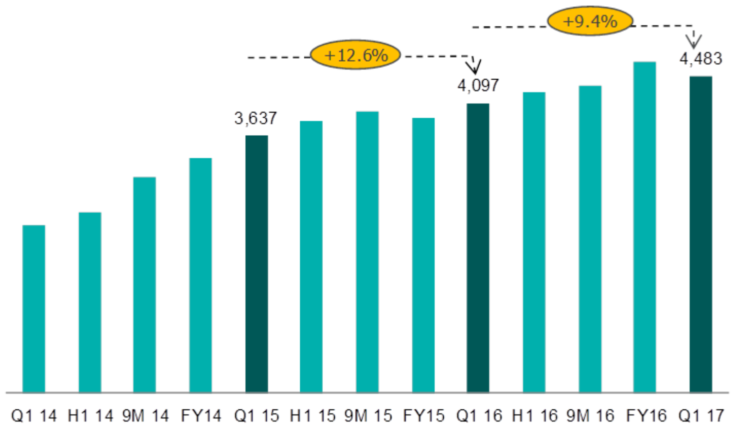
Growth in sales volume was boosted not only by one-off conditions in the US and India **but also by the company's strong competitive position and its presence in markets that are growing faster than average.** Gamesa's strong competitive position is supported not only by a diversified geographic footprint (**57 countries**) but also by an extensive customer base, a portfolio of products and services focused on maximising the return on wind assets, and a presence throughout the wind value chain.

In a quarter in which global onshore order intake flagged with respect to previous quarters[9], with announced orders down 16% year-on-year, due to the normal volatility of the business and not to structural changes in demand prospects, Gamesa signed **827 MW in the first quarter of 2017, with the result that order intake in the last twelve months totaled 4.5 GW,** 9.4% more than in the twelve months to 31 March 2016, and it ended the quarter with **74%[10]** coverage of the sales volume

[7] Net financial debt means interest-bearing debt, including subsidised loans, derivatives and other current financial liabilities, less other current financial assets and cash.
[8] LTM underlying EBITDA in 2017 excludes €-8 million in Gamesa Siemens transaction costs in 2017.
[9] Source: BNEF "1Q 2017 Global Wind Turbine Contract Orders" 11 April 2017. Data exclude repowering and component agreements, framework agreements and orders from Chinese manufacturers.
[10] Coverage calculated on the basis of volume guidance for 2017: c.5,000 MWe

guidance (vs. 79% of the 2016 guidance in March 2016). After the strong sales activity in the quarter, the order book at the end of March 2017 amounted to **2,889 MW.**

Year-on-year evolution of LTM order intake (MW)

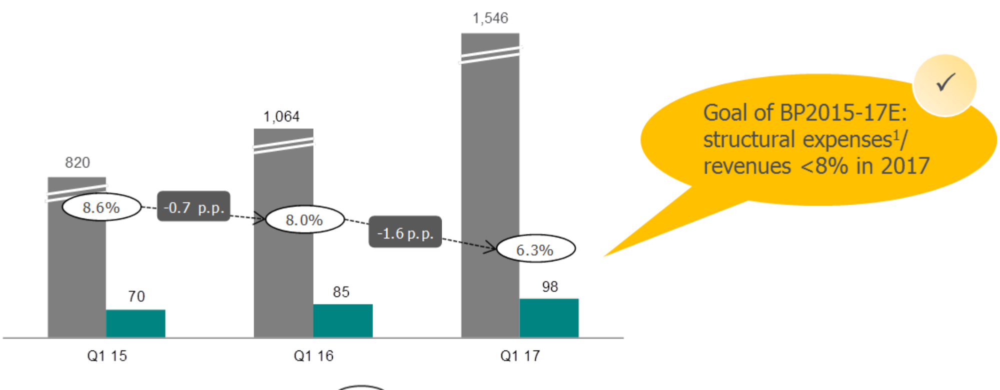


Order performance in the quarter reflected three non-recurring factors: strong order intake in Q4 2016, the conversion of contracts under "safe harbor" agreements signed in 2016, which is expected to occur in the second half of the year, and the unexpected cancellation of the wind auction in Brazil in December 2016. Excluding the latter two factors (orders from the US, and Brazil), order intake would have risen by 3% in the quarter, contrasting with the nominal 20% decline. Growth in commercial activity will recover in the coming quarters.

In this context of strong growth in activity, Gamesa remains focused on controlling structural costs so as to maintain a low break-even point. As a result, at the end of March 2017, structural expenses[11] amounted to 6.3% of revenues, i.e. well below the 8% target set in the business plan 2015-2017.

[11] Fixed expenses excluding depreciation and amortisation.

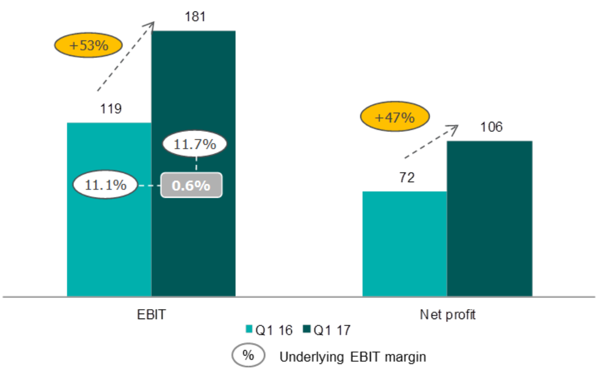
Revenues and structural expenses[1] (€mn)



1. Cash structural costs (exc. non-cash D&A). Cash structural costs do not include €8 mn in transaction costs.

Control of fixed costs, together with ongoing optimisation of variable costs and the sharp increase in volume, enabled Gamesa to offset price pressure and the lower relative contribution to group revenues from O&M (with returns in excess of the manufacturing business) and to steadily increase total operating profitability. **Consequently, Gamesa ended the first quarter of 2017 with an underlying EBIT margin of 11.7%**, 0.6 percentage points higher than in the same period of 2016[12], while **underlying EBIT amounted to €181 million, 53% more than in the same period of 2016.** Adwen continued to be carried by the equity method in the first quarter of 2017. If, following the acquisition of Areva's 50% stake in Adwen, the latter had been fully consolidated, Gamesa's pro-forma EBIT would have amounted to €167 million, after including €-15 million in EBIT from Adwen, equivalent to a 10% margin on pro-forma consolidated revenues of €1,662 million, after including Adwen's €116 million in revenues in Q1. Integration expenses amounted to €8 million in the first quarter. Including those integration expenses, which are non-recurring, EBIT would have amounted to €173 million, 46% more than in the first quarter of 2016.

Underlying EBIT[1] and underlying net profit[1] (€mn)



1. Underlying EBIT excludes €8 mn in transaction costs (€6 mn at net profit level). In Q1 2016 reported and underlying figures (including Adwen in underlying net profit) are the same

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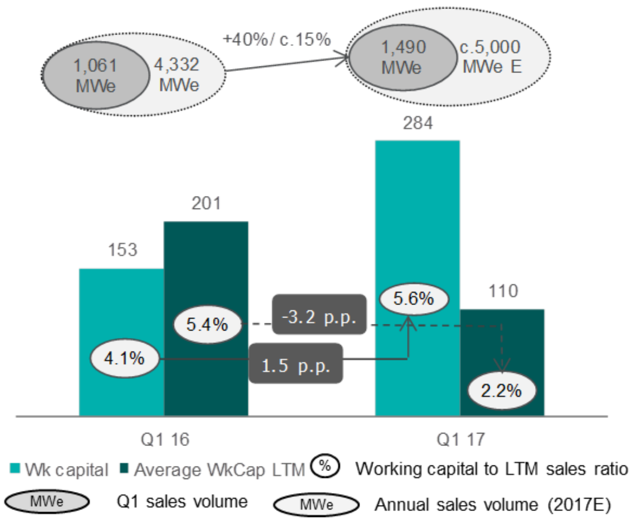
[12] EBIT and EBIT margin exclude the negative impact of €-8 million in Siemens Gamesa transaction costs in Q1 2017. In 2016, underlying and reported EBIT are the same.

As a result of stronger growth in volume and revenues, rising business profitability and a reduction in net financial expenses, **Gamesa increased underlying net profit by 47% to €106 million[13] in the first quarter of 2017.** Gamesa's net profit was affected by recognising 100% of Adwen by the equity method (€-17 million), compared with 50% in the year-ago quarter (€-8 million).

In this context of strong growth of activity and profitability, **Gamesa maintains its commitment to a sound balance sheet by controlling both working capital and capex.** At the end of March 2017, working capital amounted to 5.6% of LTM revenues, which represents a reduction of €91 million in the average working capital of the last twelve months, equivalent to a reduction of over 3 points in the ratio of working capital to revenues, from 5.4% in 2016 to 2.2% in 2017.

Working capital evolution (mn€)



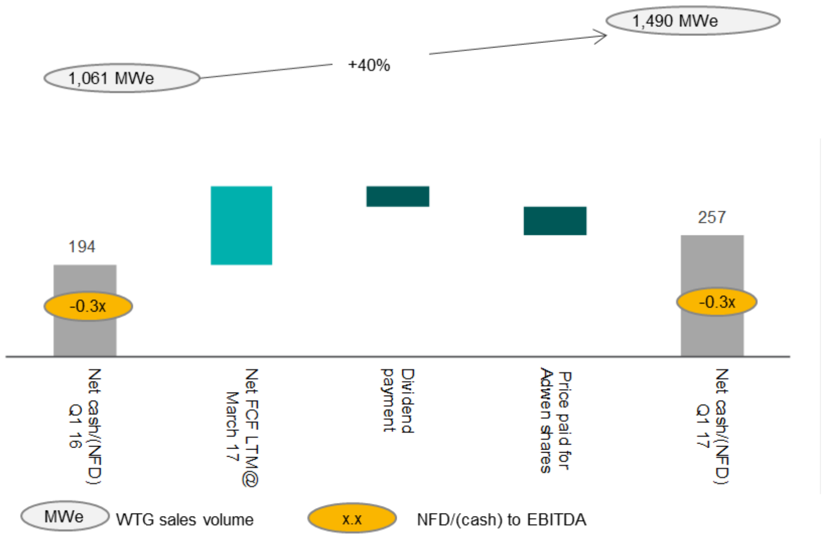
With regard to investment in property, plant and equipment and intangible assets, Gamesa maintain its modular strategy, which is focused on ensuring growth. **Capex in the first quarter amounted to €35 million** (vs. €33 million in the first quarter of 2016), i.e. 4.2% of LTM revenues, in line with the guidance for the year (4-5% of revenues). Investments in the quarter were focused on new products (blade moulds and transport and logistics components) in the regions in which Gamesa operates.

Control of capex and working capital in a context of profitable growth enabled **Gamesa to end the quarter with a net cash position of €257 million on the balance sheet,** equivalent to -0.3x EBITDA[14]**,** compared with a net cash position of €194 million at the end of March 2016, **and in line with the goal of achieving sound finances.**

[13] Underlying EBIT and underlying net profit are presented net of the negative impact of Siemens Gamesa transaction costs, which amounted to €-8 million and €-6 million, respectively in Q1 2017. In Q1 2016, underlying and reported EBIT and net profit are the same.

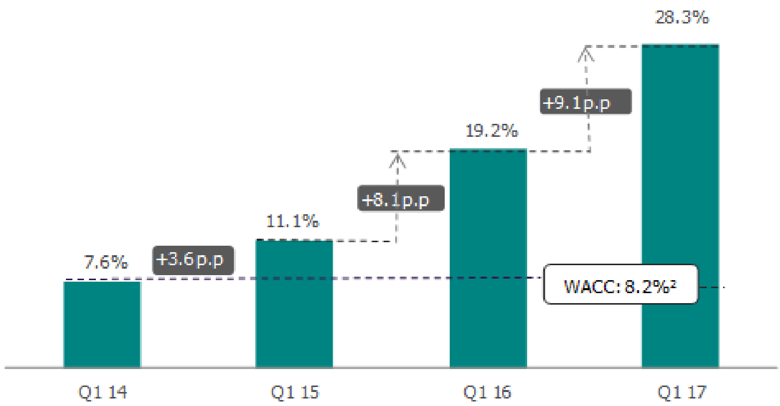
[14] EBITDA LTM.

Evolution of the net cash position y/y (€mn)



The combination of profitable growth and control of capex and working capital enables Gamesa to continue fulfilling its commitment to creating shareholder value, with a **ROCE of 28%**, nine points more than in the first quarter of 2016 and 20 points more than the company's cost of capital[15].

ROCE[1] evolution



1. ROCE: LTM underlying EBIT*(1-t)/average capital employed. Average capital employed is calculated as the arithmetic mean of capital employed between the beginning of the current year and the end of the period."t" is the estimated income tax rate for the current year (27,3% in Q1 2016 and 29% in Q1 2017). Detailed performance measures' definitions can be found in the appendix of the earnings release
2. Analysts' average WACC: 8.2%

[15] The average cost of capital calculated by the analysts who cover the company is 8.2%.

Main factors

Activity

During the first quarter of 2017, Gamesa sold 1,490 MWe, 40% more than in the same period of 2016 This pace of growth, which is exceptional when viewed in the context of the c. 5,000 MW guidance for the full year, was driven mainly by the US and India and will ease off in the coming quarters to deliver the committed volume growth of c. 15%. Activity growth in the US was boosted by the need to deliver under "safe harbor" contracts signed in the fourth quarter of 2016 by April 2017, and by the acceleration of project delivery and commissioning in India in view of an impending change in regulations in April 2017. As a result, activity expanded by 217% y/y in the US and by 99% y/y in India in the first quarter.

	Q1 2016	Q1 2017	Chg.
WTG sold (MWe)	1,061	1,490	40.5%

Geographical breakdown of wind turbine sales (MWe) (%)	Q1 2016	Q1 2017
America	42%	48%
Asia	32%	40%
EMEA	27%	11%
TOTAL	**100%**	**100%**

Activity in the first quarter of 2017 was concentrated in the Gamesa 2.0 MW segment, which represented 85% of total MW sold, vs. 87% in the same period last year. The Gamesa G114 2.0 MW platform accounted for 59% of activity in the period, compared with 37% in 2016, evidencing the new platforms' importance.

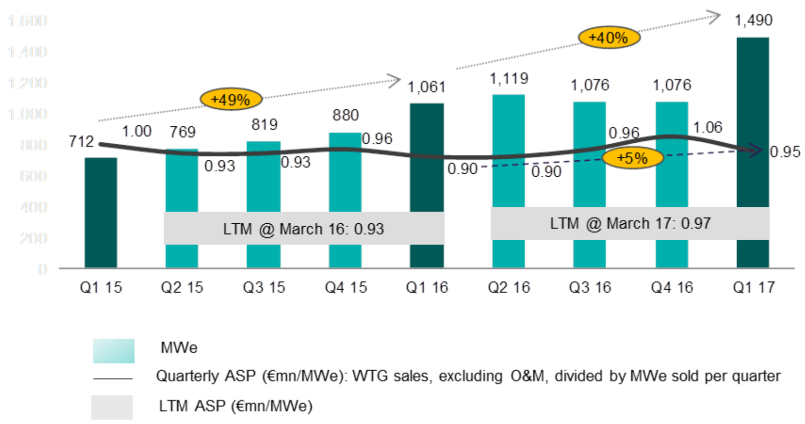
In the services division, Gamesa had 26,166 MW under operation and maintenance, 17% more than the same period last year. Growth in the fleet under maintenance came mainly from emerging markets in Asia and in Latin America, mainly Brazil, but also from mature markets like the US, in the first quarter of 2017. The post-warranty fleet under maintenance totalled 17,062 MW, 10.4% more than at the end of March 2016.

	Q1 2016	Q1 2017	Chg.
MW under operation and maintenance at end of period	22,335	26,166	17.1%

Profit & Loss

Revenues amounted to €1,546 million in the period, 45% more than in the same period of 2016. This increase was due mainly to sales in the WTG division, which grew by 48% y/y thanks to a 40% increase in activity with respect to the first quarter of 2016 to the **highest quarterly volume in the company' history**. In particular, activity volume increased by 217% y/y in the US and by 99% y/y in India. The surge in volume, the scope of activity, the sale of products with larger rotors and taller towers, and the positive currency effect offset the negative impact of price pressure and the regional mix.

WTG sales volume (MWe) and ASP evolution (€mn /MW)



As had been predicted in 2016**, the services division regained growth in line with the objectives in the BP 2015-2017E.** After a year of stable revenues in 2016, services revenues were up 25% y/y to €134 million. This performance was supported by growth in the post-warranty fleet (+10.4% y/y) and in sales of value-added services.

In addition to attaining record revenues and activity in the first quarter, Gamesa's underlying EBIT reached a record €181 million[16], equivalent to an EBIT margin of 11.7%, i.e. 0.6 percentage points more than in the first quarter of 2016. EBIT performance is attributable to:

- the volume effect (+1 p.p.)
- contribution margin performance (-0.2 p.p.)
- fixed cost performance (-0.2 p.p.)

The reduction in the contribution margin in Q1 was the result of price pressure and the region mix, partly offset by variable cost optimisation programmes.

Reported EBIT amounted to €173 million, 46% more than in the year-ago quarter.

Net financial expenses in the period amounted to €0.9 million, down from €5.8 million in the first quarter of 2016, while exchange losses amounted to €-3.4 million, up from €-1.9 million in the same period last year.

[16] Underlying EBIT of €181 million excludes the negative impact of €8 million in merger costs. In 2016, underlying and reported EBIT are the same.

The tax expense amounted to €48 million, equivalent to a marginal rate of 29%, in line with expectations and the guidance range for the year (25%±3%).

Accordingly, strong operating performance that made possible to manage record growth and price pressure while improving the EBIT margin, and the substantial improvement in financial expenses enabled Gamesa to end the first quarter of 2017 with **record quarterly underlying net profit: €106 million[17], 47% more than in the first quarter of 2016,** despite the additional negative impact of carrying 100% of Adwen by the equity method (€-17 million negative impact in Q1 2017) compared with 50% in the year-ago quarter (€-8 million negative impact).

[17] Underlying net profit excludes the negative impact of €6 million in merger costs.

Balance sheet

As reflected by the main balance sheet indicators, **Gamesa maintained a sound financial position in a context of record growth, controlling working capital and capex, which enabled it to end the quarter with a net cash position of €257 million, €64 million more than at the end of March 2016**, in spite of the normal seasonal change in the first quarter and the payment of €60 million for Areva's stake in Adwen**.**

	Q1 2016	Q1 2017
Working capital/Revenues	4.1%	5.6%
NFD/EBITDA[18]	-0.3x	-0.3x
ROCE	19.2%	28.3%

Consolidated Income Statement and Balance Sheet — Key Figures

(€ million)	Q1 2016	Q1 2017	Chg.
Revenues	1,064	1,546	*+45,3%*
Underlying EBIT	119	181	*+52,8%*
Underlying EBIT/Revenues (%)	11.1%	11.7%	*+0.6 pp*
EBIT	119	173	*46.0%*
EBIT/Revenues (%)	11.1%	11.2%	*-0.1pp*
Underlying profit (Loss)	72	106	*47.2%*
Profit (Loss)	72	100	*39.4%*
NFD	-194	-257	*-64*
Working capital	153	284	*+131*
Capex	33	35	*+7%*

In 2017, in line with the modular capex strategy presented in the business plan 2015-17E, Gamesa invested €35 million in property, plant and equipment and intangible assets to cater for expected demand growth, new product launches and operation and maintenance services. In addition to R&D expenditure, Gamesa invested in logistics, tooling, and blade capacity — both new capacity and

[18] LTM EBITDA

product replacement due to the introduction and strong penetration by the G114 (2 MW and 2.5 MW) and G126 (2.5 MW) generators — in all regions where it operates.

Outlook

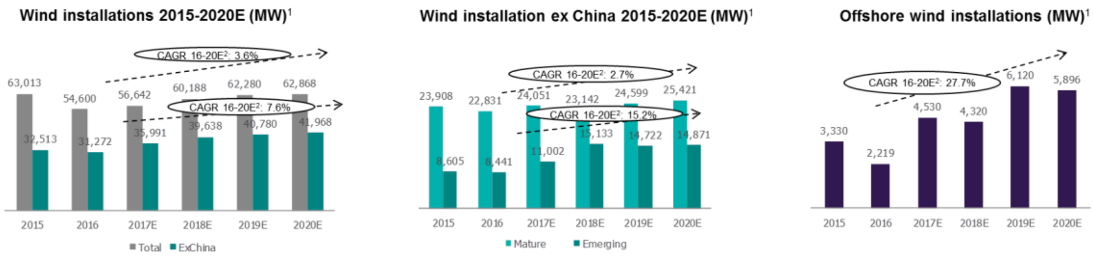
Stable demand prospects in the short and medium term
The prospects for wind power demand are stable for the short, medium and long term. The growing number of countries that are committed to renewable energies as a means of counteracting the increase in temperature and climate change, coupled with the increasing competitiveness of renewable energy sources, including wind, lay the foundations for solid demand.

The growing commitment to renewable energy was evidenced by the Paris Agreement, signed on 12 December 2015 by 195 countries and ratified by 144, which came into force on 4 November 2016, paving the way for stable development of renewable energy.

The rising competitiveness of renewable energy was clear in the numerous auctions in 2016 and the first quarter of 2017, supporting the projection that the cost of onshore wind power will fall by nearly 50%[19] in the next 23 years. In addition to these onshore wind power auctions, recent offshore wind capacity auctions point to qualitative improvements in the cost of this energy source in the coming decades far in excess of initial estimates.

This stable demand trend is also supported by growth in demand for energy and electricity in developing countries, which will account for c. 80% of total growth in world energy demand in the next 20 years, according to the International Energy Agency.

This explains the faster growth in demand for wind facilities in developing countries (around 8% per year through 2020) and in the offshore segment, which is expected to achieve double-digit growth (c. 30%) in the coming years.



1. Source: BNEF and MAKE Q1 17 Market Outlook
2. Compound annual growth rate calculated on the basis of BNEF and MAKE estimates of installations at the date of publication of their Q1 17 reports and GWEC reported figures for 2016 reported on February 10. Growth in mature markets includes growth coming from the offshore segment. Previous compounded annual growth rates using BNEF and MAKE 2016 figures would be: 4.2% for global installations, 6.6% for global installations ex-China, 3.1% for mature markets, 11.4% for emerging markets ex-China, and 39.5% for offhore

Gamesa performance pre-merger in line with 2017 guidance
The strong start to the year, with record quarterly revenues, activity, and operational and net profitability, and the 74%[20] coverage of the sales volume projected for the full year reached at the end of March, support the guidance presented to the market on 23 February.

[19] Bloomberg New Energy Finance (H1 2017 Wind LCOE update) estimates a 47% reduction in onshore cost of energy by 2040.
[20] Total firm orders received to date for activity in 2017 with respect to the sales volume guidance for the year (c.5,000 MW).

	Q1 16	Q1 17	Var. Q1 17 vs. Q1 16		Guidance 17 @Feb. 2017	Var. vs. 2016
Volume (MWe)	1,061	1,490	40%	✓	**5,000**	15%
Underlying EBIT	119	181	53%	✓	**c.550**	15%
Underlying EBIT margin	11.1%	11.7%	+0.6 p.p.	✓	**10%-11%**	flat
WC / revenues	4.1%	5.6%	+1.5 p.p.	✓	**c. 0%**	+4.9 p.p.
Capex (€ mn)	33	35	7%	✓	**4%-5%**	flat
ROCE	**19.2%**	**28.3%**		✓		

However, while commercial activity will accelerate in the coming quarters, the strong growth in wind turbine sales volume during the first quarter (40% y/y) will gradually ease off to reach c. 15% in the full year. Growth in sales volume in the US (to triple the Q1 2016 figure) and India (double the Q1 2016 figure), which was driven by the need to fulfill the delivery dates in the SH contracts, in the US, and by the acceleration of project commissioning in view of impending regulatory changes in India, will taper in the coming quarters as growth in other regions accelerates. The Services division registered 25% growth in the first quarter of 2017 and will maintain double-digit growth to achieve the targets for this unit in the BP 2015-17.

In addition to normalization of growth in WTG sales volumes, the company also expects the operating profitability achieved in the first quarter, which benefited from volume growth, to ease back to the guidance range for the full year (10%-11%).

From April, Adwen (offshore) will be fully consolidated, whereas it was recognized by the equity method in the first quarter of 2017. Full consolidation of Adwen in the first quarter would have had a positive impact of €116 million on revenues and a negative impact of €-15 million on EBIT, reducing the EBIT margin from 11.7% to 10%.

The merger with Siemens Wind Power took place on 3 April, giving rise to a new global leader in the wind industry

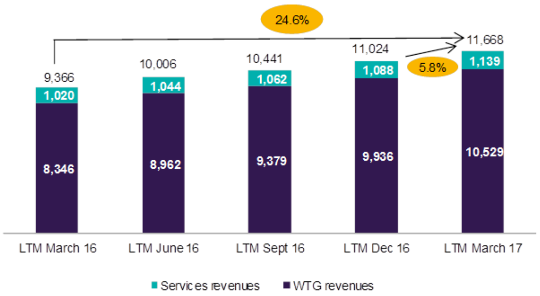
On 13 March 2017, the European competition authorities cleared the merger between Siemens Wind Power and Gamesa, completing the permit process and enabling the merger to go forward in line with the initial schedule: commencing in the second quarter of 2017. The merged company was registered in the Vizcaya Mercantile Register on 3 April, and the merger became final: a new global leader in the wind industry was born. Once the merger was registered, the special €3.6 dividend was paid to all shareholders of Gamesa pre-merger[21].

The merged company has the necessary requirements to face the challenges and seize the opportunities in the wind business as it transitions to a fully competitive framework:

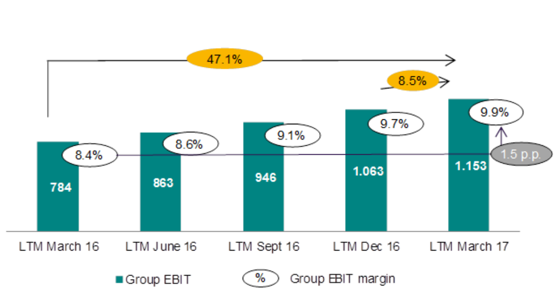
- **Scale:** with 27,000 employees, over €11.7 billion in revenues pro forma LTM March 2017 obtained in 70 countries and a backlog of €22.2 billion at the end of March 2017, Siemens Gamesa Renewable Energy is the largest company in the wind energy business.

[21] The dividend was paid to all pre-merger shareholders of Gamesa who were shareholders of record on 10 April. Siemens did not collect a dividend.

Non-audited LTM proforma revenues (mn€)

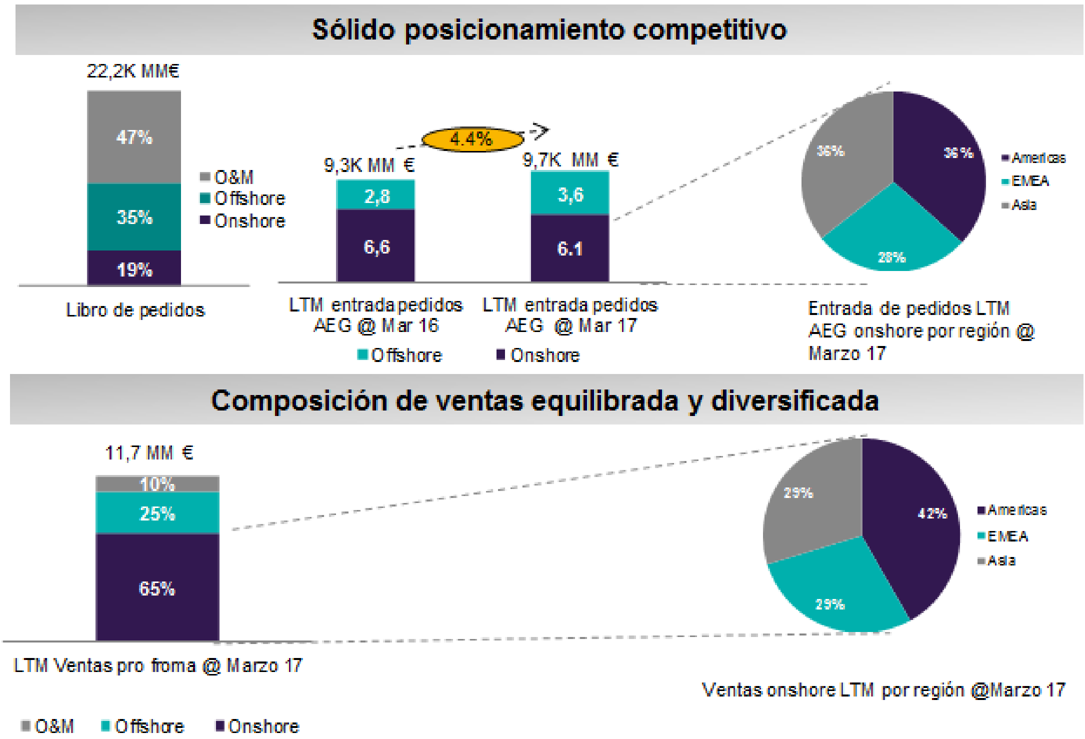


Non-audited LTM proforma EBIT (mn€)[1]



1. Pro forma figures excluding transaction costs and PPA impact, and including full consolidation of Adwen, standalone savings and normalization adjustments

- **Diversified global presence,** with an installed fleet of 76 GW in 76 countries, and 51 GW under maintenance. The company also has a leading position in some of the markets with the strongest future growth prospects, such as offshore, where Siemens Gamesa Renewable Energy offers customers the assurance of the most extensive experience in the segment, acquired via an installed fleet of 8,744 MW, c.60% of the world offshore installed fleet, as well emerging markets such as Latin America and Asia (excl. China).



- **Extensive portfolio of products and services** that are adapted to each market's needs, covering all wind categories and focused on offering customers the best cost of energy.
- **A management team, led by Markus Tacke as CEO of the combined group, with an extensive professional track record** in such industries as automobile, industry, wind power and energy in general. The integration process has already begun and the organisation structure is already defined, enabling the company to begin working on the business plan to

be presented to the market in the second half of 2017, and to reap synergies: €230 million from year 4 onwards, 50% from year 2, with integration costs estimated at €210 million.

CEO
Markus Tacke

Dr. Ing. Mechanical Engineering (Technical University Darmstadt, Germany)
M.Eng.Combustion & Fluid dynamics (Cornell University, USA)

2014-2017 Siemens Wind Power
CEO
2009-2013 Siemens Oil and Gas
CEO Industrial Power Business Unit.
Bef. 2009:
Head of GZ Industrial Steam Turbines and Head of Manufacturing Industrial Steam Turbines.

CEO WTG Onshore Xabier Etxeberria	**CEO WTG Offshore** Michael Hannibal	**CEO Service** Mark Albenze	**Chief Financial Officer** Andrew Hall	**Corporate Development, Strategy and Integration Managing Director** David Mesonero	**Chief Corporate and General Secretary** José Antonio Cortajarena	**Internal Audit Director** Felix Zarza
Industrial Engineering (University of Bilbao, Spain) 2012-2017 Gamesa: Business CEO. 2008-2012 GKN: Chairman Board of Directors of GKN Spain. Chairman GKN Driveline International Gmbh.. CEO Freight Service division and Global Operations Director for GKN Driveline. Bef. 2008: Global Operations Director; Global Purchasing Director; Global QHS Director, Global Commercial and Industrial director.		Criminal Justice (Western Michigan Univeristy). Master in Management (St Louis University). Master in Government (Troy) 2014-2017 Siemens Wind Power: CEO Siemens Wind Services 2011-2014 Siemens Wind power: CEO Siemens WP Americas Bef. 2011: Several positions in sales Siemens Wind Power Americas. Various positions in supply management, business development and marketing at Westinghouse. US army officer.	MSc Electrical & Electronic Engineering (University of Cape Town). MBA (London Business School) 2015-2017 Siemens Wind Power CFO 2008-2015 Siemens Regional Clusters CFO North West Europe CFO Africa 2003-2008 Siemens Corporate Accounting & Reporting Vice president, Subsidiaries Controlling Prior to 2003: Siemens Information and Communications: Business Unit CEO; Head of Service Sales; Head of Project Management	Business Administration (ICADE). MBA (IESE) 2013-2017 Gamesa: Corporate development Managing Director Member of steering Committee Member of Board of Directors India Member of the Board Adwen Bef.2013: Different positions within Gamesa and Iberdrola. Previously, positions as strategic consultant (Oliver Wyman) and investment banker .	Lawyer (University of Basque Country, Spain) and Master in Legal Business (Instituto de Empresa). 2012-2017: Gamesa: Chief Corporate and General Secretary Deputy Secretary non member of the Board. Before 2012: General Secretary and different positions within Gamesa. Member of the State Attorney Corps.	Economics and Business Administration (Universidad Comercial de Deusto) and Certified Public Accountant (CPA) (Spanish Institute of Accounts Auditors) 2004-2017 Gamesa: Director of Internal Audit Before 2004: Different positions within Arthur Andersen and Deloitte.

- **Strategic agreements with Siemens** to develop opportunities to create additional value for both companies:
  - Strategic procurement agreements that guarantee the most competitive terms and maintain access to supply by third parties
  - Preferential funding and financial support agreements through Siemens' commitment to maintain financial support for offshore projects via Siemens Financial Services
  - Access to Siemens ONE, which will enable the company to identify additional business opportunities through cooperation with Siemens business units
  - Business cooperation in value-added services and products and in identifying solutions for offshore grid connections

Moreover, there is the support of the company's two core shareholders: Siemens (59%), which will continue to consolidate SGRE within its energy services division, and Iberdrola (8%), which maintains a commitment not just as a core shareholder but also as a key customer.

Conclusions

Siemens Gamesa Renewable Energy comes into being in a position to face the challenges and seize the opportunities that the wind industry will offer in the short, medium and long term while creating value for all stakeholders.

On the one hand, **prior to the merger, Gamesa concluded its life as an independent company** with record quarterly figures in terms of revenues and operating and net profitability, while fulfilling its commitment to a sound balance sheet, **which enabled it to achieve a 28% return on capital employed in Q1 2017, 20 percentage points more than its cost of capital[22] and 9 points higher than the return on capital in the first quarter of 2016.** These results are also fully aligned with the guidance announced by the pre-merger company for 2017.

Revenues amounted to €1,546 million in the quarter, 45% more than in the year-ago quarter, with an underlying EBIT margin of 11.7%[23], 0.6 percentage points more than in the first quarter of 2016. Underlying EBIT amounted to €181 million[23], 53% more than in the year-ago quarter. Underlying net profit amounted to €106 million[24], 47% more than in the first quarter of 2016, despite recognising 100% of Adwen, which had a negative impact of €17 million, compared with 50% in the same period of 2016, with a negative impact of €8 million. Reported net profit amounted to €100 million, a 39% increase year-on-year. The company's commitment to a sound balance sheet enabled it to achieve this growth while maintaining a solid net cash position, €257 million at the end of March 2017, with working capital amounting to 5.6% of revenues, in line with the normal first-quarter fluctuations in the business and with the pre-merger company's commitments for the full year. With 827 MW of new orders, commercial activity enabled the company to achieve 74%[25] of the WTG sales committed for the full year by the end of March, lending support to its full-year volume projections. In the coming quarters, sales growth driven by the recovery in the services unit and strong volumes in the WTG business will normalize gradually to reach 15% year-on-year growth by year-end. Order intake will also resume growth in the coming quarters.

Moreover, the merger with Siemens Wind Power gave rise to the world's largest wind power company, with the necessary strengths to address a new era in the industry. The organization is already gearing to launch a new group strategy and prepare a business plan that will be communicated to the market in the second half of 2017. Siemens Gamesa Renewable Energy came into being with the scale, diversification and balance sheet required to address the new cycle in the industry, with pro-forma LTM revenues of €11.7 billion and pro-forma LTM EBIT of €1.1 billion[26]. The company has a backlog of €22,2 billion, the largest in the industry, and a sound balance sheet: €1.3 billion[27] net cash at 31 December 2016. The company's new legal name will be presented for approval by the Shareholders' Meeting in June, and the group's first earnings report will be released in July; the business plan will be unveiled in the second half of 2017.

[22] The average cost of capital calculated by the analysts who cover the company is 8.2%.
[23] Underlying EBIT and underlying EBIT margin exclude the negative impact of €8 million in merger costs. In 2016, underlying and reported EBIT and EBIT margin are the same.
[24] Underlying net profit excludes the negative impact of €6 million in merger costs.
[25] Coverage of sales volume: total orders in MW for activity in 2017 with respect to the committed sales volume for the year (c. 5,000 MW).
[26] Pro-forma LTM EBITDA excluding merger costs and PPA.
[27] Pro-forma net cash balance of the merged company in December, including cash to cover €286 million in quality provisions, excluding the €210 million in loans from Areva to Adwen.

Annex

Financial Statements January-March 2017[28]

Gamesa Corporación Tecnológica - Consolidated

Profit and Loss Account - €'000	Q1 2016	Q1 2017
Turnover	1.064.228	1.546.176
+/- Variation in inventories of finished products and WIP	-151.513	12.113
Consumption	-561.636	-1.088.321
Other operating revenues	2.356	7.179
Work performed on own assets	13.333	16.317
Personnel expenses	-96.892	-112.065
Other operating expenses	-92.316	-125.616
EBITDA	**177.561**	**255.783**
Depreciation and amortisation	-29.425	-38.400
Provisions	-30.528	-45.303
Gains (losses) on disposal of non-current assets	998	1.120
EBIT	**118.606**	**173.199**
Financial revenues	5.270	9.793
Financial expenses	-11.032	-10.669
Exchange differences (profit/loss)	-1.887	-3.416
Gains/Losses on valuation of derivative instruments	0	-4.596
Equity-accounted affiliates	-7.569	-15.683
EBT	**103.388**	**148.627**
Taxes	-30.437	-47.650
Income after taxes (continuing operations)	**72.951**	**100.977**
Income for the period from discontinued operations	-901	-814
Outside shareholders	-259	-102
Income attributable to the controlling company	**71.791**	**100.060**

[28] Non-audited figures

Balance Sheet - €'000	31 march 2016	31 march 2017
Goodwill	388.290	388.175
Operational fixed assets, net	502.986	593.143
Non-current financial assets, net	263.709	422.166
Deferred taxes	415.235	427.460
Inventories	760.216	913.432
Customer and other accounts receivable	1.166.752	1.362.723
Receivable from public authorities	228.925	344.210
Current financial assets	40.220	46.638
Cash and cash equivalents	692.610	957.267
Assets held for sale and discontinued operations	26.240	19.940
Total assets	**4.485.181**	**5.475.155**
Capital and reserves	1.564.431	1.880.717
Non-current provisions and deferred revenues	253.964	387.527
Non-current financial debt	452.302	459.223
Other financial liabilities	48.679	104.150
Deferred tax liabilities	113.100	116.466
Current bank loans	37.823	179.056
Trade and other accounts payable	1.796.888	2.028.832
Payable to public authorities	131.914	217.042
Other current liabilities	85.224	101.205
Liabilities associated with assets held for sale	857	938
Total liabilities	**4.485.181**	**5.475.155**

Cash flow statement - €'000	**Q1 2017**
Profit (including discontinued activities)	100.060
+ Depreciation and amortization	38.400
+ Provisions	45.303
- Warranty provisions paid	-34.072
- Equity method	15.683
Gross operating cash flow	**165.375**
- Other provisions paid	-5.650
- Variation in working capital	-509.277
- Others	-20.127
Operating cash flow	**-329.424**
- Investments in fix assets	-35.049
- Investments in financial assets	-60.000
Cash flow for the period	**-424.473**
- Variation in treasury stock	-58
- Dividends paid	0
Variation in net financing cash flow	**-424.531**
Beginning net financial debt (cash)	-681.769
Ending net financial debt (cash)	-257.237

Annex

Alternative Performance Metrics

Gamesa's financial information contains magnitudes and measurements prepared in accordance with the applicable accounting standards and others referred to as Alternative Performance Metrics (APM). The APM are considered to be "adjusted" magnitudes with respect to those presented in accordance with EU-IFRS and, consequently, the reader should view them as supplementary to, but not replacements for, the latter.

The APM are important for users of the financial information since they are the metrics used by Gamesa Management to assess financial performance, cash flows and the financial position for the purposes of the Group's financial, operational and strategic decisions.

The APM contained in Gamesa's financial disclosures that cannot be directly reconciled with them are as follows:

1. **Return on capital employed – ROCE**

This APM is used by Gamesa management to assess the ability of operational assets to generate profits; it is a measure of the profitability and efficiency of invested capital (equity plus debt).

ROCE is calculated as:

$$\boldsymbol{ROCE} = \frac{EBIT \times (1 - t)}{\overline{CE}}$$

Where $\boldsymbol{t}$ is the rate of corporate income tax and $\overline{\boldsymbol{CE}}$ is the average capital employed in the period. Capital employed measures the capital invested in the group (equity plus debt) and is calculated as Total Equity + Net Financial Debt [NFD, defined below]. Average capital employed is calculated as the arithmetic mean of capital employed at the beginning of the current year and capital employed at the end of the period. ROCE is calculated for 12-month periods: for interim periods that do not coincide with a full accounting year, EBIT in the last twelve months is used.

The tax rate used is 29% in Q1 2017 (27.3% in Q1 2016), in accordance with the latest estimates of the average tax rate in the year.

	Million euro	
	Q1 2016	**Q1 2017**
EBIT underlying (LTM)	347	540
(1-t)	73%	71%
I. EBIT underlying LTM after taxes	**252**	**383**
Beginning total equity	1,527	1,765
Beginning NFD	(301)	(682)
II. Beginning capital employed	**1.226**	**1.083**
Ending total net equity	1,564	1,881
Final net financial debt	(194)	(257)
III: Ending capital employed	**1,371**	**1,623**
IV.= ((II+III)/2), Average capital employed	**1,298**	**1,353**
I / VI. ROCE	**19.4%**	**28.3%**

2. Net financial debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings, including subsidised loans (repayable advances), derivative instruments and other current and non-current financial liabilities, less cash and cash equivalents and the value of short-term financial investments.

Net Financial Debt is the main APM used by Gamesa management to measure the Group's indebtedness and leverage (when compared with Capital Employed).

	Million euro (*)					
	31.03.2017			31.06.2016		
Financial statements line-item:	Financial Statements	Adjustments	NFD	Financial Statements	Adjustments	NFD
Derivative financial instruments (non-current assets)	1	-	1	4	-	4
Derivative financial instruments (current assets)	19	-	19	19	-	19
Other current financial assets	18	-	18	16	-	16
Other current financial assets, related companies	10	-	10	6	-	6
Cash and cash equivalents	957	-	957	693	-	693
Financial debt (non-current liabilities)	(459)	-	(459)	(452)	-	(452)
Derivative financial instruments (non-current liabilities)	(5)	-	(5)	(6)	-	(6)
Other liabilities (non-current)	(123)	92 [(1)]	(31)	(38)	7 [(1)]	(31)
Financial debt (current liabilities)	(179)	-	(179)	(38)	-	(38)
Derivative financial instruments (current liabilities)	(62)	-	(62)	(4)	-	(4)
Other current liabilities	(101)	90 [(2)]	(11)	(85)	74 [(2)]	(11)
Net Financial Debt (positive: net cash / negative: net debt)			**257**			**194**

[(1)] The adjustment correspond to the elimination of liabilities with personnel amounting to €6 million at 31 March 2017 and the liabilities assumed in the acquisition of Adwen amounting to €86 million. At 31 March 2016, the adjustments were for elimination of liabilities to personnel amounting to €7 million.

[(2)] The adjustments relate to the elimination of items classified as working capital amounting to €90 million at 31 March 2017 (€74 million at 31 March 2016) (see Working Capital).

(*) Amounts, including totals, rounded to the nearest million, based on information presented in thousand euro. Consequently, the totals in millions may not be the exact sum of their components due to the rounding effect.

3. Working capital (WC)

Working Capital (WC) is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.

Working Capital reflects the part of Capital Employed that is invested in net operating assets. Gamesa management uses this metric in managing and making decisions with respect to the business's cash conversion cycle, particularly in managing inventory, trade accounts receivable and trade accounts payable. Effective management of working capital involves achieving an optimal amount of working capital without jeopardising the company's ability to honour its obligations in the short term.

Financial statements line-item:	Million euro (*)					
	31.03.2017			31.03.2016		
Financial statements line-item:	Financial Statements	Adjustments	Working capital	Financial Statements	Adjustments	Working capital
Inventories	913	-	913	760	-	760
Trade and other accounts receivable	974	-	974	929	-	929
Trade accounts receivable, related companies	356	-	356	192	-	192
Receivable from public authorities	344	-	344	229	-	229
Other receivables	32	-	32	45	-	45
Trade and other accounts payable	(1.868)	-	(1.868)	(1.613)	-	(1.613)
Trade accounts payable, related companies	(196)	36(1)	(161)	(184)	0	(183)
Due to public authorities	(217)	-	(217)	(132)	-	(132)
Other current liabilities	(101)	11(2)	(90)	(85)	11(2)	(74)
Working capital			**284**			**153**

(1) The adjustments relate to the liabilities assumed in the acquisition of Adwen amounting to €35 million and other accounts payable that qualify as net financial debt.
(2) The adjustments relate to the elimination of the short-term part of the balance of repayable advances (€5 million), and other accounts payable that qualify as net financial debt (€6 million). At 31 March 2016, the adjustments relate to the elimination of the short-term part of the balance of repayable advances (€5 million), and other accounts payable that qualify as net financial debt (€6 million).

(*) Amounts, including totals, rounded to the nearest million, based on information presented in thousand euro. Consequently, the totals in millions may not be the exact sum of their components due to the rounding effect.

The ratio of working capital to revenue is calculated as working capital at any given date divided by the revenue in the twelve months prior to that date.

4. Capital Expenditure (Capex)

Capital Expenditure (capex) refers to investments made in the period in fixed assets (productive assets, whether tangible or intangible) in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex).

The amount of Capex is the following:

	Million euro	
	Q1 2017	Q1 2016
CAPEX	**35**	**33**

5. Definitions of cash flow

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital and capital expenditure (capex). Gamesa includes the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adding, to reported income for the year, the ordinary non-cash items (depreciation and amortisation, and over-provisions) and income from equity-accounted affiliates.

Net operating cash flow: the result of deducting working capital (defined in item 6) from gross operating cash flow. Gamesa includes the cash impact of other provisions and other non-operating items under operating cash flow.

Free cash flow: obtained by deducting capital expenditure (capex) from operating cash flow. It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

Free cash flow is calculated as the variation in Net Financial Debt (NFD) between March 2017 and March 2016 (defined in item 2 above) plus dividends paid in the period and price paid for Adwen shares.

Million euro	Q1 2016	Q1 2017	Change
NFD (+ cash / - debt)	**194**	**257**	**64**
Dividend payments			42
Price paid for Adwen shares			60
Free cash flow			**166**

6. Average working capital

Calculated as the average of Working Capital (defined in point 3) at the end of the last four quarters.

Million euro	2T (n-1)	3T (n-1)	4T (n-1)	1T (n)	Average
Working capital 2016	275	365	12	153	**201**
Working capital 2017	129	253	-225	284	**110**
Change					**(91)**

7. Average Selling Price (ASP)

Average monetary revenue collected by the Wind Turbine division per unit sold (measured in MWe). ASP is affected by a number of factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

Million euro	Q1 2016	Q1 2017
Revenue	**1,064**	**1,546**
Wind Turbine Generators (1)	957	1,412
Operation and maintenance	108	134
MWe sold (2)	**1,061**	**1,490**
ASP (1/2)	**0.90**	**0.95**

8. Contribution Margin, Structural Expenses and EBIT

The **Contribution Margin** (CM) is the difference between revenue and variable costs. Deducting fixed (structural) costs, period depreciation and amortisation and impairments from the Contribution Margin gives EBIT. The Contribution Margin is normally presented as a percentage of revenue, the latter being revenue (total or by segments, as appropriate) in the financial statements.

Structural expenses are calculated by deducting period depreciation and amortisation, impairments and the Contribution Margin from EBIT. Structural expenses are presented as a percentage of revenues, the latter being revenue in the financial statements.

EBIT (Earnings Before Interest and Taxes): operating profit per the consolidated income statement. Operating profit before income from equity-accounted affiliates, net financial results including exchange gains/losses, taxes and income from discontinued operations/available-for-sale assets and non-controlling interests.

Underlying EBIT (Earnings Before Interest and Taxes): EBIT ratio excluding non-recurring items.

EBIT margin: ratio of reported EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

Underlying EBIT margin: EBIT margin ratio excluding non-recurring items.

9. Net profit and Net profit per share (EPS)

Net profit: consolidated profit for the year attributable to the parent company.

Net profit per share (EPS): the result of dividing net profit by the average number of shares outstanding in the period (excluding treasury shares).

Thousands	Q1 2016	Q1 2017
Net profit	71,791	100,060
Number of shares	276,133	277,023
BNA	**0.26**	**0.36**

10. Other indicators

Coverage of WTG sales volume: the sales coverage ratio expresses the likelihood of achieving the WTG sales volume targets set by the company for a given year. It is calculated as orders received in the period (in MW) (including those consumed) for activity/sale in a given year, divided by the activity/sales guidance for that year. Where the commitment is expressed as a range, the mid-point of the range is used. Where the commitment is expressed as a minimum volume, the ratio is calculated using that minimum volume.

MW	Q1 2017
Order Backlog year N (1)	2.223
MWe (2)	1.490
Sales guidance year (3)	5.000
Coverage of WTG sales volume ((1+2)/3)	**74%**

Book-to-bill: ratio of order intake (in MW) to activity/sales (MWe) in the same period. The Book-to-Bill ratio gives an indication of the future trend in sales volume.

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture in terms of work in progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

Cost of energy (LCOE/COE): the cost of converting a source of energy, e.g. wind, into electricity, measured in monetary units per MWh. It is calculated taking account of all costs incurred during the asset's life cycle (including construction, finance, fuel, operation and maintenance, taxes and incentives), divided by the total output expected from the asset during its useful life.

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