



# April-June 2017: speeding up the integration to bring forward synergy delivery in a changing market

July 26, 2017

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# Contents

1. Period Highlights
2. Markets and Orders
3. April-June 2017 Results and KPIs
4. Outlook
5. Conclusions

# Period highlights

## Moving forward with the integration, synergy delivery accelerated



- **Integration progressing at full speed**
  - Organization in place
  - Decisions on product portfolio being implemented
- **Announced synergies of 230 MM € per annum confirmed as “minimum”**
  - Delivery accelerated by 1 year
  - Major impact within onshore
- **Quarterly performance impacted by specific market conditions**
  - Order intake impacted by the introduction of auctions in India, the back-end loaded phasing of US SH contracts, and offshore volatility (Borssele 1&2 secured in Q4 17)
  - Revenues down 7% y-o-y<sup>1</sup> largely on the back of the Indian market temporary downturn, with underlying pre-PPA operating profitability at 7.8%<sup>2</sup>
    - Revenues excluding India up 1.6% year on year, with underlying pre-PPA EBIT margin of 8.6%<sup>2:3</sup>
    - Service revenues up 8% year on year, with underlying pre PPA margin of 16.1%
  - Underlying pre-PPA net income of €135 mn equivalent to €0,2 per share
  - Net financial cash of €236 mn as a result of the seasonal increase in working capital

Siemens Gamesa RE fiscal year ends in September. Quarterly distribution is as follows: Q1 (Oct-Dec), Q2 (Jan-March), Q3 (April-June) and Q4 (Jul-Sept). This is applicable to all quarterly reference throughout the presentation. All financial information is non-audited

1. All annual variations are calculated using non audited pro-forma figures for 2016 (see disclosure in the Earnings Release). Pro forma revenues for Q3 (April-June) 2016 are calculated as the addition of the April to June 2016 revenues reported by Siemens AG for Siemens Wind Power division, Gamesa and 100% of Adwen. No adjustments are done to any of the historic revenue figures
2. Underlying pre-PPA profitability excludes integration costs amounting to €36 mn and the impact on amortization of intangibles' fair value from the PPA amounting to €124 mn. Underlying net income exclude integration costs amounting to €36 mn and PPA impact post tax of €87 mn
3. India contributed €273 mn in sales and €38 mn in EBIT in Q3 2016; it contributed €25 mn in sales and -€18 mn in EBIT in Q3 2017

# Siemens Gamesa: an arising strong global competitor

## Scale and Global Reach

- **SGRE set up** to compete profitably in competitive environment
  - Onshore platform positioned to capture market share to target leadership position
  - Offshore business with unique track-record and profitability potential
  - Leading service platform with scale and global reach
- **Strategic agreements** with major shareholders create additional value

## Integration speed is key to succeed

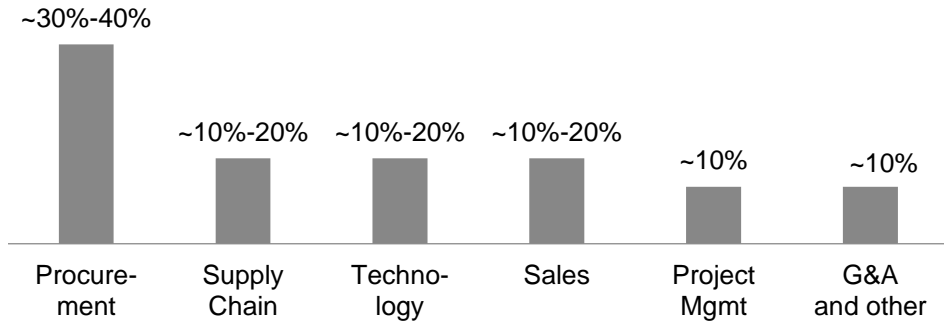
- Integration will drive **creation of a single champion: “Power of One” unleashed** once **integration is completed**
  - Combined platform will allow to combine strengths, compete more aggressively and be more profitable
- First integration decisions already taken: Adwen to be incorporated into the broader offshore operations
  - Improving client service and market opportunities
- Tillsonburg closure<sup>1</sup> as part of the manufacturing footprint optimization process
- Target to **accelerate integration and value capture**
  - **Aim to have more than 90% measures implemented and creating value since year 3**

**Significant progress in integration with aim to accelerate targets by 1 year**

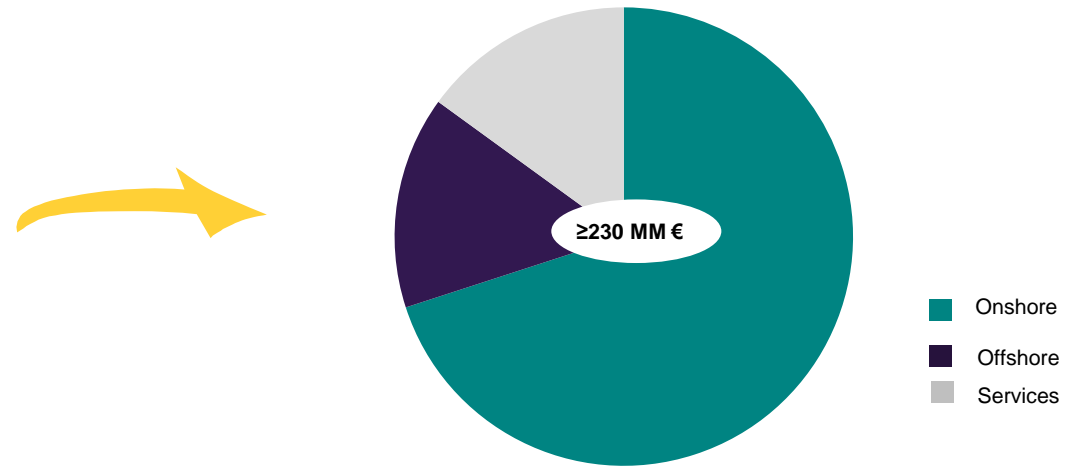
1. Impact on Q4 FY17

# €230m in annual synergies: at minimum and faster

% Synergy target by function



Estimated synergy impact by business unit



**Onshore as main beneficiary: direct impact on the group's competitive positioning in an increasingly competitive industry**

# Comprehensive efforts to set costs down and improve offerings

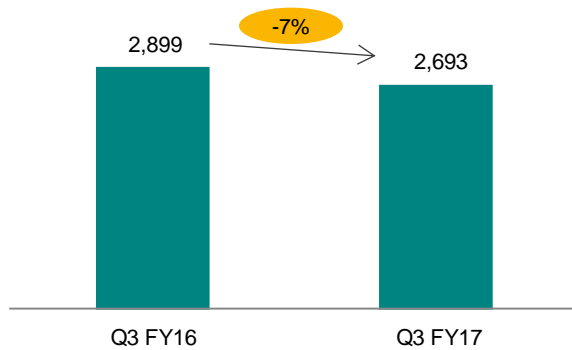
		Progress	Key messages	Synergy impact		
				WTG		O&M
				ON	OF	
Costs & Investments	Procurement	✓	<ul style="list-style-type: none"> <li>Main contributor to synergy</li> <li>More than 20 teams by commodity</li> <li>High focus on quick wins</li> <li>Discount by larger volumes, supplier consolidation and arbitrage opportunities as main sources of synergies</li> </ul>			
	Supply Chain	✓	<ul style="list-style-type: none"> <li>Rationalization of product portfolio and combined sales plan resulting in synergy potential                             <ul style="list-style-type: none"> <li>Rationalization opportunities identified</li> <li>Optimization of existing facilities</li> </ul> </li> <li>Limited expansion requirements to pursue growth beyond standalone prospects</li> </ul>			
	Technology	✓	<ul style="list-style-type: none"> <li>Well-balanced product portfolio of WTGs targeted to optimize presence</li> <li>Balanced portfolio compatible with significant rationalization of product portfolio</li> <li>Streamline of R&amp;D expense</li> </ul>			
	Project Mgmt	✓	<ul style="list-style-type: none"> <li>Overlap in operations identified</li> <li>Resource allocation optimization and idle time reduction</li> </ul>			
	G&A and other	✓	<ul style="list-style-type: none"> <li>Combined company with more than 25k employees</li> <li>Duplications in overhead structures being addressed</li> </ul>			
Revenues	Sales	✓	<ul style="list-style-type: none"> <li>Optimized and balanced product platform allows to better capture specific needs of each market</li> <li>Scale and operating leverage allows to better compete for volumes</li> </ul>			



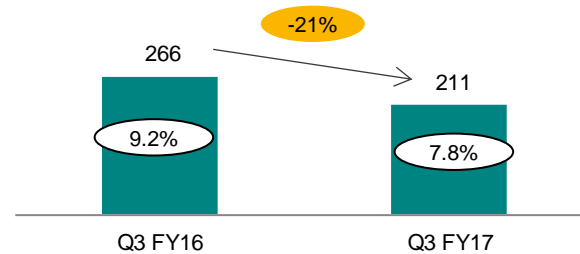
## Quarterly performance impacted by specific market developments

Excluding the impact of the temporary downturn of the Indian market, revenues up 1.6% y-o-y and underlying operating profitability stable at 8.6%

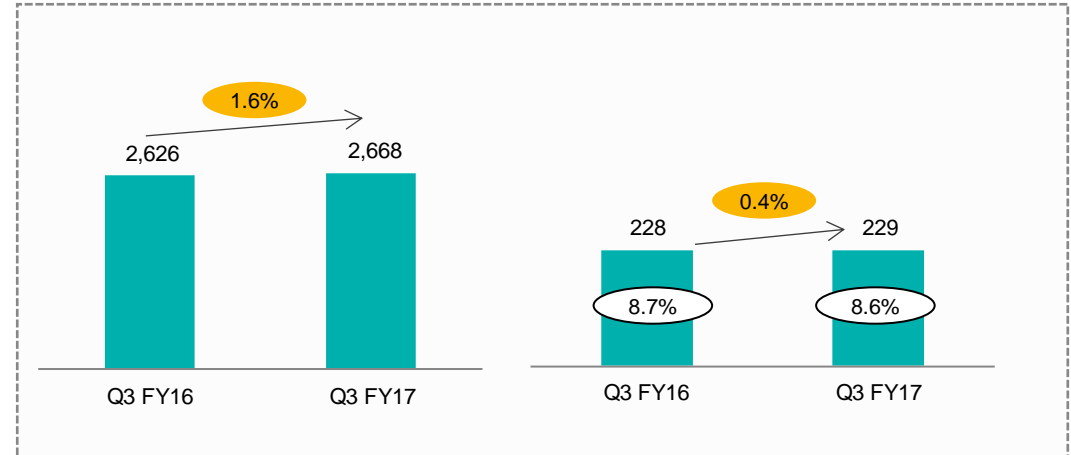
Revenues (€mn): Q3 2016 vs. Q3 2017



Underlying EBIT (€mn) pre PPA: Q3 2016 vs. Q3 2017



Revenues and underlying EBIT (€mn) pre-PPA ex – India Q3 2016 vs Q3 2017<sup>1</sup>



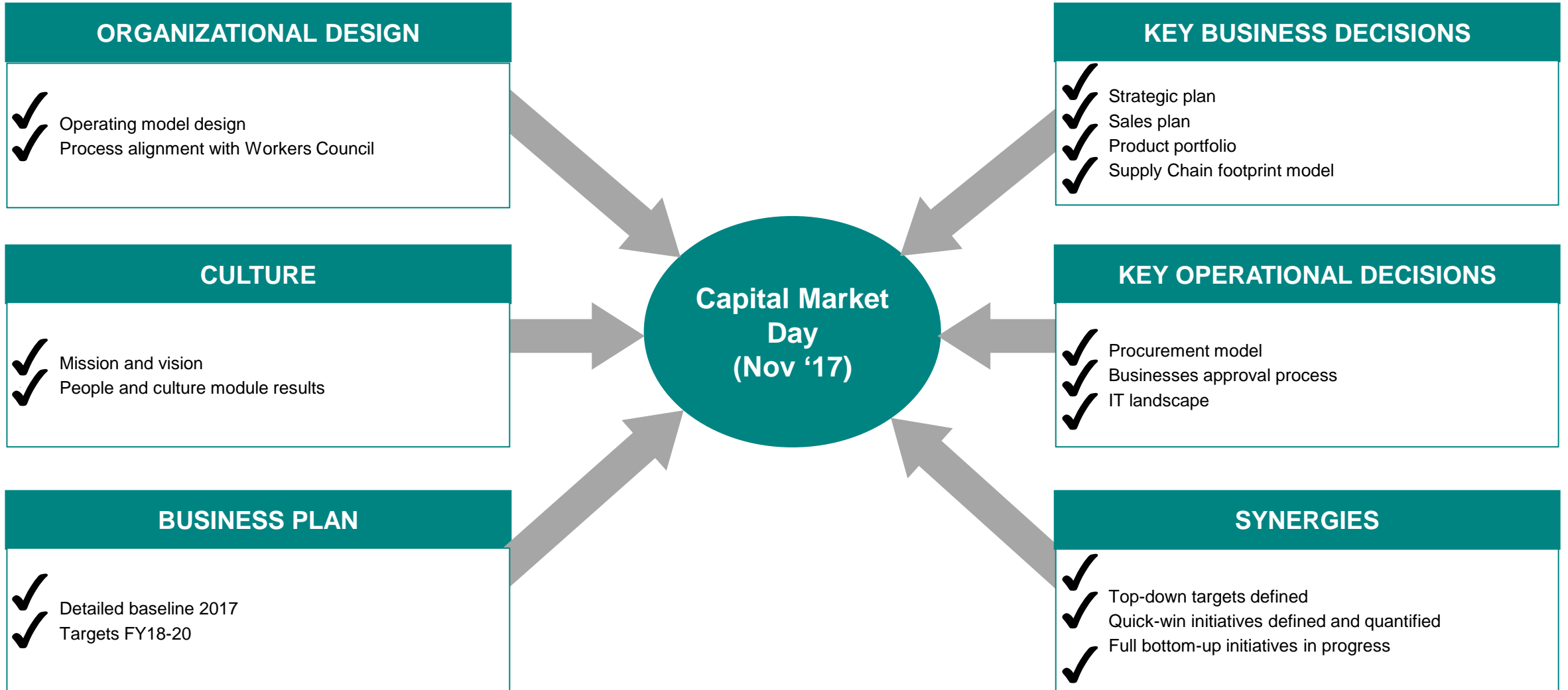
Ⓢ Underlying EBIT margin pre-PPA

**Underlying net income pre-PPA of 135 MM €<sup>2</sup> equivalent to €0.2 per share .  
Net cash<sup>3</sup> position of 236 MM € on the back of working capital seasonality**

All historic 2016 figures are pro forma. Pro forma revenues are calculated adding the reported revenues of Siemens Wind Power, Gamesa and 100% of Adwen. Pro forma profitability is calculated adding reported EBIT for SWP including standalone, normalization and scope adjustments, underlying EBIT for Gamesa and 100% of underlying EBIT for Adwen.

1. India contributed €273 mn in sales and €38 mn in EBIT in Q3 2016; it contributed €25 mn in sales and -€18 mn in EBIT in Q3 2017
2. Underlying Q3 17 EBIT excludes €36 mn in integration charges and impact on amortization of intangibles' fair value from the PPA in amount of €124 mn. Underlying Q3 17 net income exclude integrations costs amounting to €36 mn and PPA impact post tax of €87 mn (net of taxes)
3. Net debt/(cash) definition: cash and cash equivalents less short term debt less long term debt as per consolidated accounts. The loan from Areva is not included in this definition.

# Broader Siemens Gamesa plans being developed

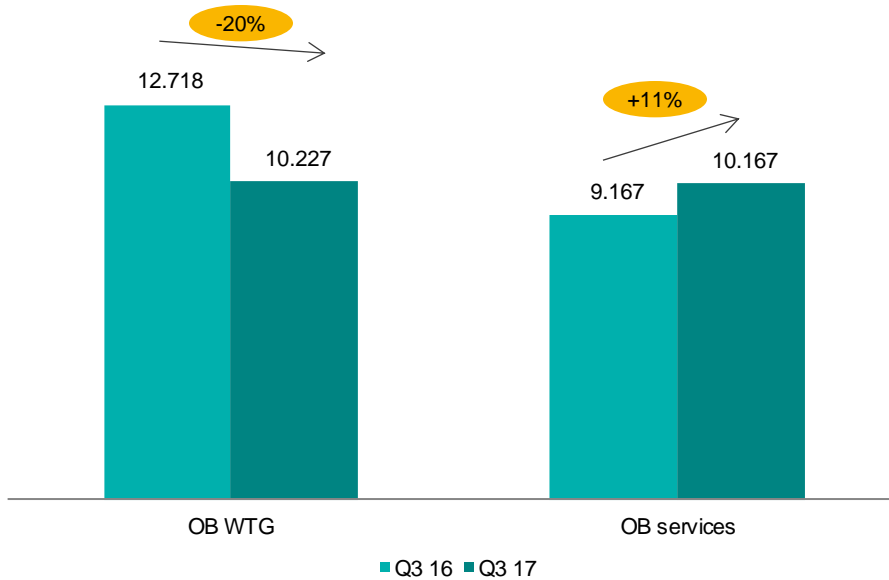


# Markets and orders

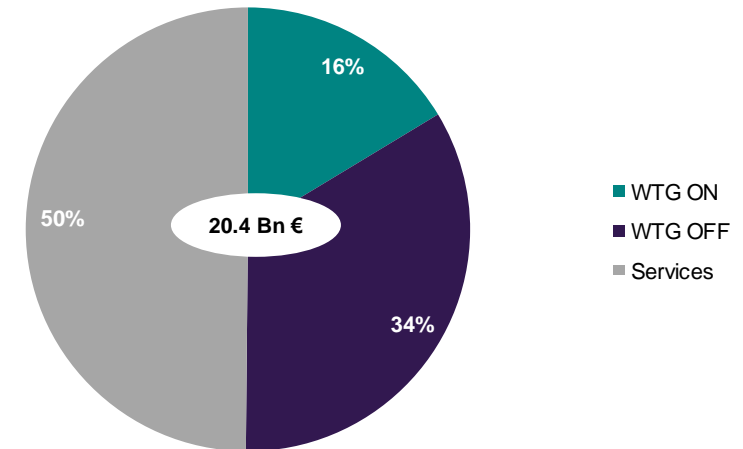
# Service backlog increased while WTG order intake impacted by market conditions

## Order Book of €20.4 Bn at June: Service OB increase compensates partially the WTG OB decline

Evolution of Order Book (€mn) Q3 16 & Q3 17



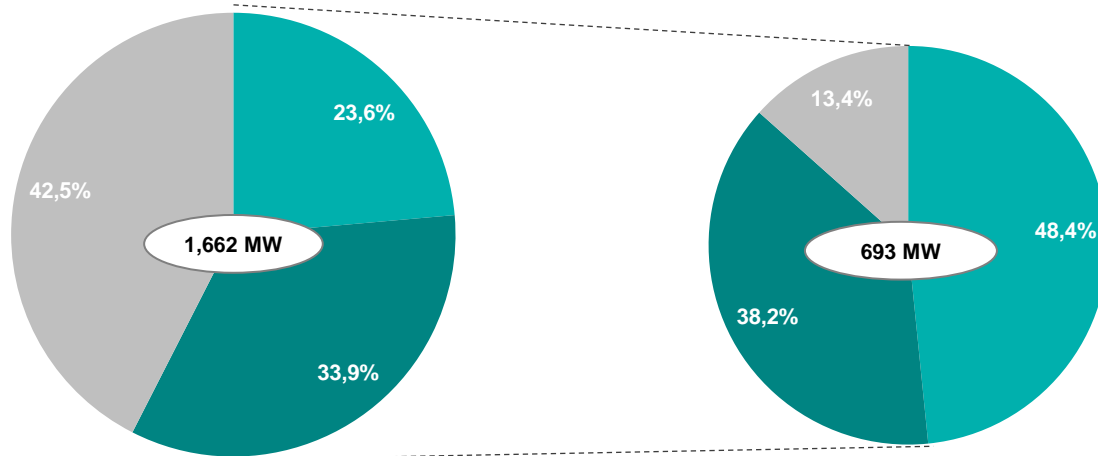
Order Book @June 2017



Half of the backlog within service contracts...

## Onshore: short term market volatility impact Q3 order intake

Onshore OI evolution (MW): Q3 2016 vs Q3 2017



### Order intake impacted by:

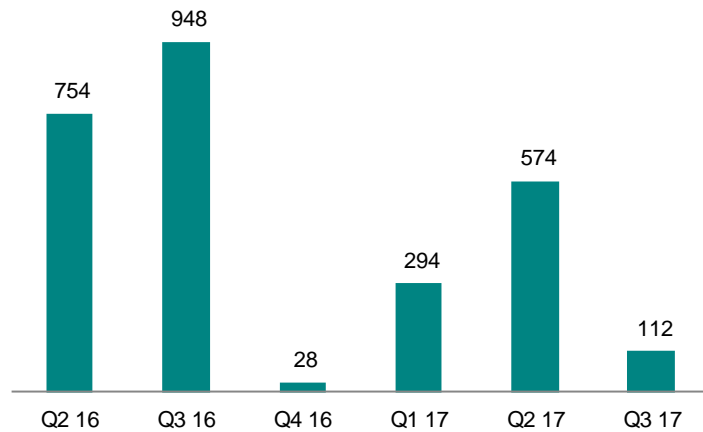
- **Temporary downturn of the Indian market** pending the normalization of the auction system
  - Next auctions to be held in Gujarat (500 MW), Tamil Nadu (500 MW) and by the central government (1,000 MW)
  - **Normalisation expected in Q1 FY18**
- **Back end loaded expected conversion of SH contracts in the US**
- Normal market volatility and **shift of contracts to H2 calendar year**

**Positive developments in Germany, Mexico and new markets in Asia Pacific**

Good prospects from the combined product portfolio, an optimized manufacturing footprint and a global supply chain

## Offshore: order entry impacted by large scale orders; Borssele 1 & 2 secured

Offshore OI evolution (MW): Q3 2016 - Q3 2017



- **Dong agreement with SGRE in Q4 17 for the construction of Borssele 1 and 2:**
  - 94 units of SWP 8.0-154
    - Higher output
    - Lighter weight through combined structure
    - D7 Platform maturity (6 MW/ 7 MW/ 8 MW)
  - 756 MW to be commissioned by end of 2020
- **SGRE continues to lead the offshore segment**
  - 10 GW installed or c.70% of total market
    - Of the 13 GW of orders, including already delivered, signed in the last 5 years, c.9 GW allocated to SGRE
  - 8 GW under maintenance
  - 538 million hours of operation
  - Relationship with main offshore operators

Offshore has developed into a cost competitive mainstream technology...

# April-June 2017 results and KPIs

## Consolidated group – Key figures<sup>1</sup>

P&L €mn	April-June 16 <sup>2</sup>	April-June 17	Var. %
Group sales	2.899	2.693	-7%
WTG	2.621	2.393	-9%
O&M	278	300	8%
WTG volume (MWe)	2.590	1.950	-25%
Onshore	2.041	1.488	-27%
Offshore	549	461	-16%
Gross profit (Pre PPA)	418	357	-15%
Gross profit margin (Pre PPA)	14,4%	13,3%	- 1,2
Underlying EBIT <sup>3</sup> (Pre-PPA)	266	211	-21%
Underlying EBIT margin (pre-PPA)	9,2%	7,8%	- 1,3
Underlying WTG EBIT margin (pre-PPA)	8,1%	6,8%	- 1,3
Underlying Service margin (Pre-PPA)	19,6%	16,1%	- 3,5
Reported EBIT	266	50	-81%
Underlying Net Income pre-PPA <sup>3</sup>		135	NA
Reported Net Income		12	NA
Underlying Net Income per share pre-PPA <sup>4</sup>		0,20	

Balance sheet <sup>5</sup>	April-June 16 <sup>2</sup>	April-June 17	Var. %
Working capital	323	142	- 181
Working capital o/sales LTM proforma	3,2%	1,2%	- 2,0
Capex	126	190	51%
Net financial debt/(cash)		-236	

- **Q3 17 financial performance impacted by market conditions**, especially India.
  - **Excluding the impact of India<sup>6</sup>**, group sales were up 1,6% and **the underlying EBIT margin pre-PPA was 8.6%**
- Full consolidation of Adwen: negative impact of 18.6 MM € in Q3 FY17 (-9 MM € in Q3 FY16).
  - Undergoing integration of Adwen into the broader offshore activities will lead to improved performance: **underlying Q3 17 EBIT margin excluding Adwen: c.8.9%**<sup>7</sup>
- Net interest charges in Q3 FY17: 10.7 MM €
- Tax expense Q3 17: 27 MM €
- PPA impact Q3 FY17 of 124 MM €
- Q3 capex level due to investment on Cuxhaven (offshore) and Morocco (onshore). Normalization in the coming quarters.
- **LTM pro forma<sup>8</sup> to June 2017:**
  - Revenues of 11.5 Bn €, up 15% y-o-y
  - Underlying EBIT pre – PPA of 1,052 MM €, up 21% y-o-y, equivalent to an underlying margin pre-PPA of 9,2%

1. All financial information and KPIs are non-audited. All historic information is pro-forma. See detailed information in the Earnings Release  
 2. April-June 16 financial data corresponds to non-audited pro-forma data, based on legacy business reported information (Siemens Wind Power, Gamesa and 100% of Adwen) including standalone, normalization and scope adjustments for SWP operations, amounting to 29 MM € in the April-June 2016 quarter. Adwen is fully consolidated in the historic pro-forma data with an impact of €49 mn at revenue level and of -€9 mn at EBIT level. See appendix in the Earnings Release with disclosure on pro-forma data calculation.  
 3. Underlying data excludes integration costs for €36 mn and the impact on amortization on intanbigles' fair value from the PPA in amount of €124 mn at EBIT level and €87 mn at net income level (net of taxes)  
 4. Number of shares for EPS calculation: in Q3 2017: 670,313,877  
 5. See definition of working capital, net financial debt and EBIT in the glossary of terms that can be found in the Q3 2017 earnings release together with the reconciliation of both items to the Q3 2017 consolidated financial statements  
 6. India contributed €273 mn in sales and €38 mn in EBIT in Q3 2016; it contributed €25 mn in sales and -€18 mn in EBIT in Q3 2017  
 7. Adwen revenues in Q3 2016 amounted to €49 mn and in Q3 2017 to €123mn  
 8. LTM pro forma, non-audited, is calculated adding revenues and EBIT reported by Siemens AG for Siemens Wind Power, those reported by Gamesa and 100% of those reported by Adwen. Pro forma profitability includes standalone, normalization and scope adjustments for Siemens Wind Power. See appendix in the Earnings Release with full disclosure on pro-forma data.

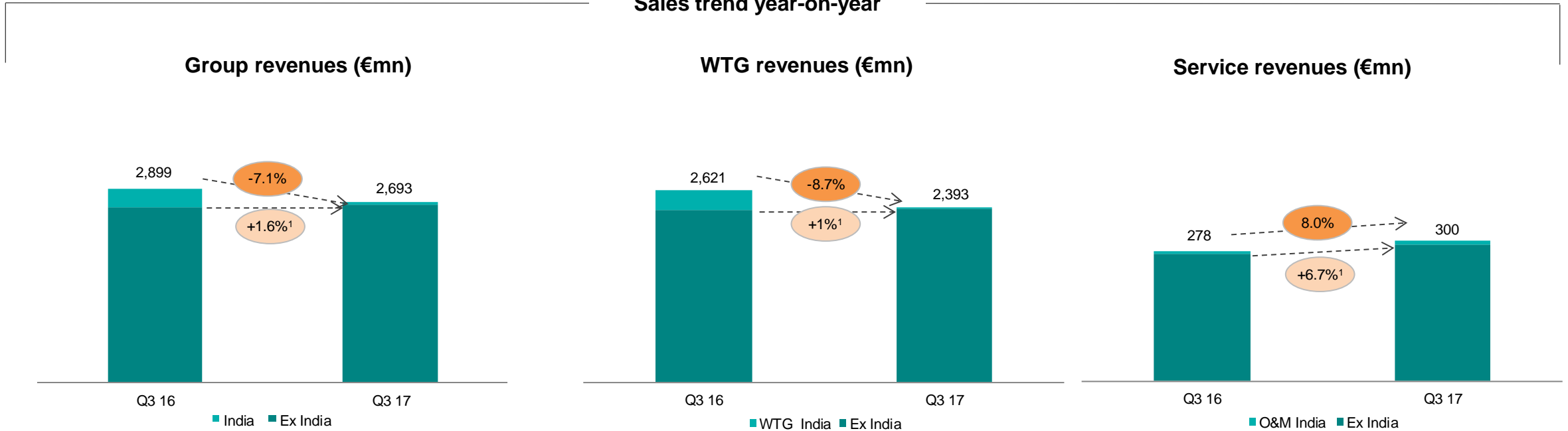




# Revenue decline, 7% y-o-y, impacted by the temporary closure of Indian market

## Revenues, excluding India, up 1.6% supported by strong growth in offshore and services

### Sales trend year-on-year

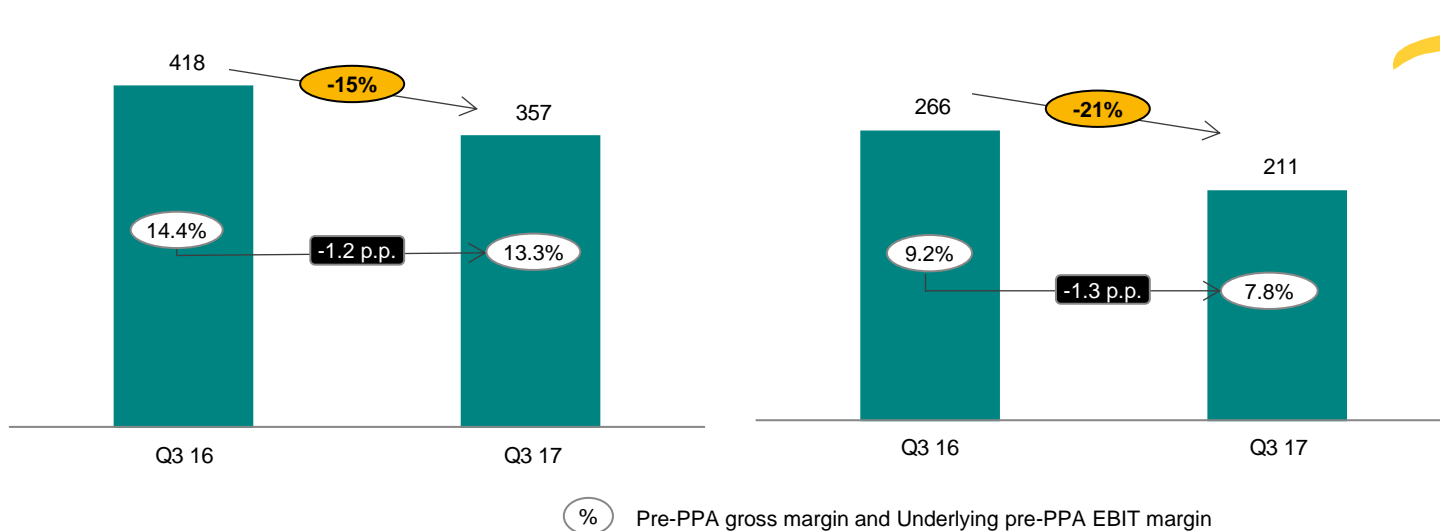


Annual comparison impacted by the strength of Q3 16 volumes and revenues in markets that are facing challenging conditions in the current quarter, mainly India, expected to recover in the coming quarters, and the UK onshore market

1. India contributed €273 mn in sales (98% in WTG) in Q3 2016; it contributed €25 mn in sales (68% in WTG) in Q3 2017

**Gross profit : -1,2 p.p. y-o-y; underlying operating profit: -1,3 p.p.**  
**In a context of lower sales volume:-25% y-o-y**

Pre-PPA Gross Profit and Underlying pre-PPA EBIT<sup>1</sup> (€mn)



**Operating margin reduction, -1,3 p.p. y-o-y, driven by**

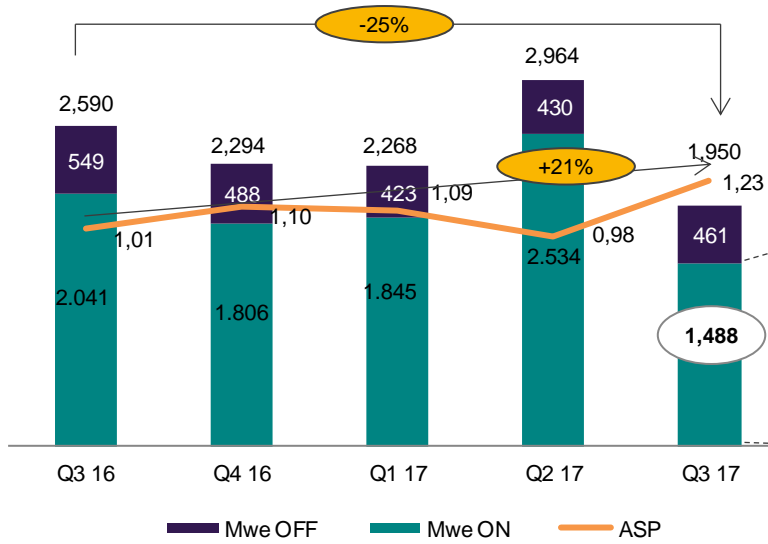
- (-) Sales volume decline: -25% y-o-y
- (+) Offshore project mix,

Reported EBIT: €50 mn, include 36 MM € of integration costs and 124 MM € of PPA impact

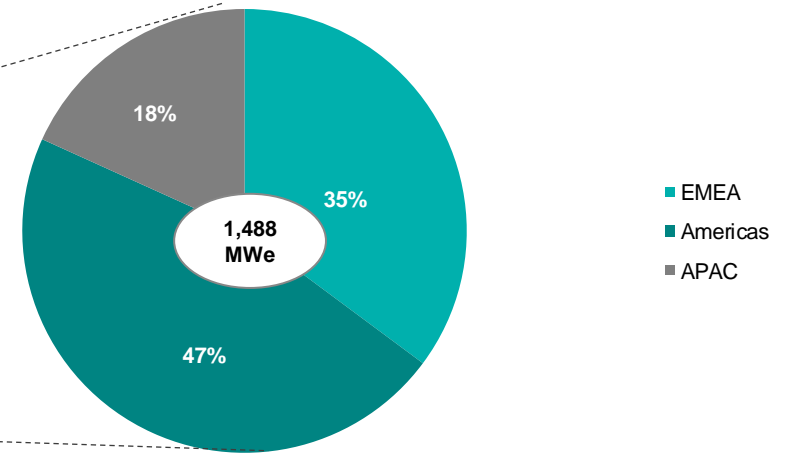
1. Underlying EBIT excludes 36MM € in integration charges and 124 MM € of PPA impact.

# Activity - WTG

WTG sales volume (MWe) and ASP<sup>1</sup> evolution (€mn /MW)



Onshore WTG volume by geography



- **Activity Q3 17 of 1,950 MWe, down 25% y-o-y, driven mainly by the decline in onshore activity.** Offshore volumes driven by normal planning of projects.
- **Trend in ASP in Q3 17, up 21% y-o-y, impacted by scope of activity in the offshore segment**
  - Onshore ASP stable y-o-y at €0.92 MM

**Onshore volume drop driven mainly by:**

- Temporary suspension of **India**
- Reduction of onshore activity in the **UK**

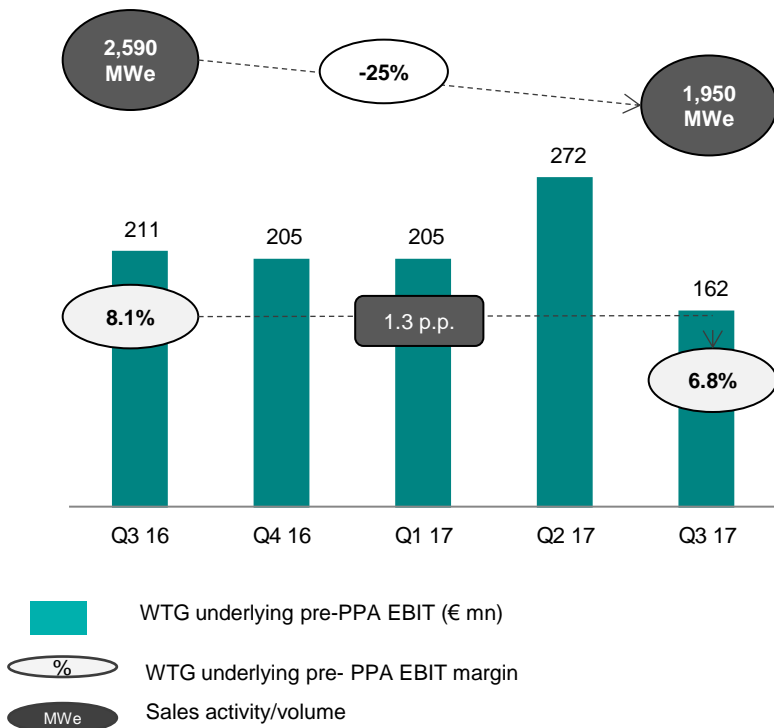
**US, Brazil and China are the main contributors to onshore activity**

1. ASP: Average Selling Price. WTG sales/MWe

# Profitability - WTG

## Underlying pre-PPA WTG profit decline on the back of lower volumes

WTG quarterly underlying pre-PPA EBIT (€mn) and EBIT margin (%) evolution



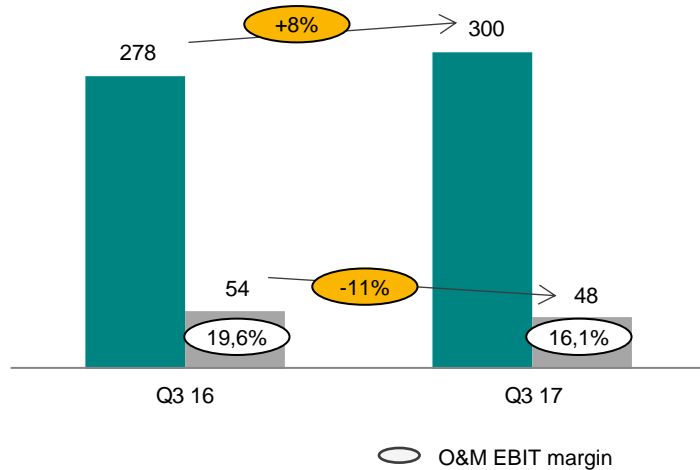
- Reduction in WTG underlying pre-PPA operating profitability (1.3 p.p.) driven by
  - (-) decline in sales volumes: -25% y-o-y
  - (+) offshore sales mix
- WTG underlying pre-PPA profitability
  - Excluding operating losses in India: 7.7%
  - Excluding operating losses in Adwen: 8.0%



# Activity and profitability - Operation and maintenance services

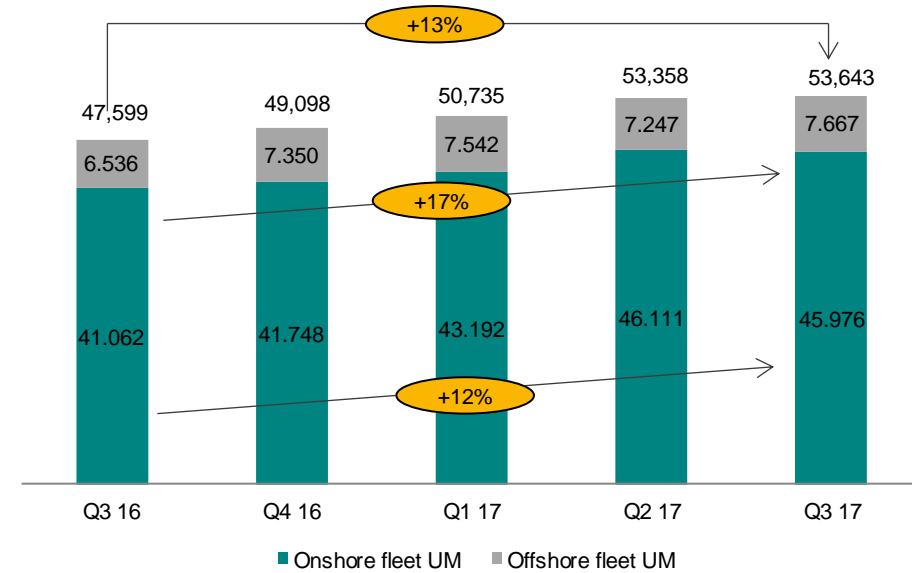
## Revenue growth driven by fleet under maintenance

O&M revenues and EBIT (mn€)



Y-o-Y decline in profitability driven by one-off positive impact of hedging (€8 mn on Q3 2016).

Fleet under maintenance (GW)



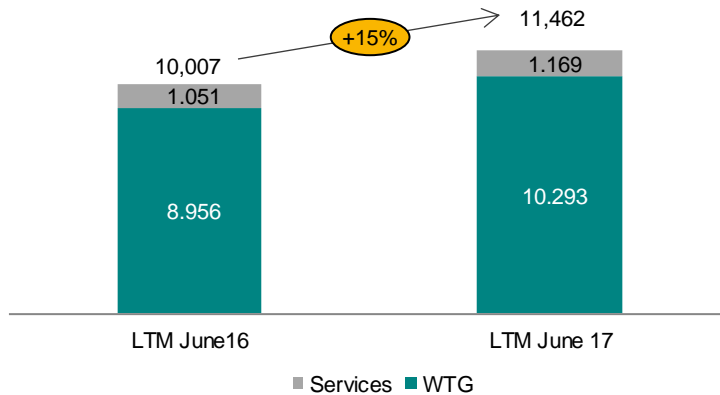
70% of the installed fleet under maintenance:



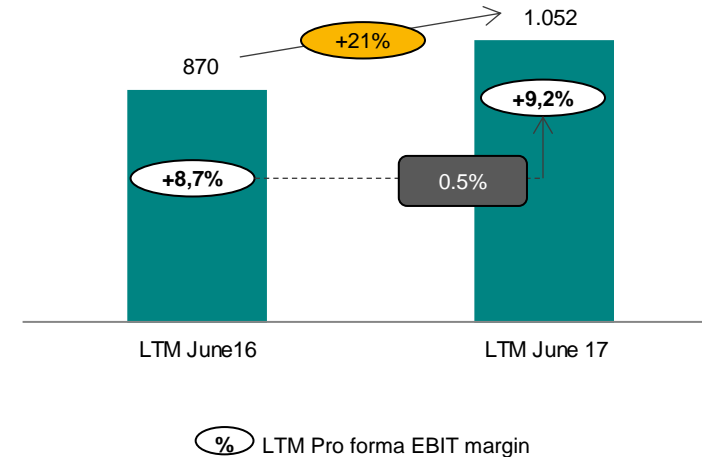
# LTM pro forma performance

## 15% revenue growth y-o-y and 21% underlying EBIT growth y-o-y

Non-audited LTM proforma revenues (mn€)



Non-audited LTM proforma EBIT (mn€)<sup>1</sup>



1. Pro forma EBIT figures excluding integration costs and the impact on amortization of intangibles' fair value from the PPA, and including full consolidation of Adwen, standalone savings and normalization adjustments. Underlying EBIT LTM June 17 excludes €36 mn in integration costs (April-June 2017), €8 mn in transaction costs (Jan-March 2017) and €124 mn in PPA (April-June 2017)

## Preliminary Purchase Price Allocation (PPA) impact on balance sheet and P&L (D&A)

€m n	Abril 2017 OBS Post PPA	PPA	
Fixed Assets	1.551	69	Fixed asset revaluation
Intangible Assets	2.640	2.123	WTG and Services' backlog and customer relationships and WTG technology revaluation
Goodwill	4.384	(778)	Reduction of goodwill during PPA process
Financial Assets (net)	355	-	
Deferred Tax Assets (net)	(328)	(701)	DTA impact due to asset revaluation
Working Capital	(479)	(278)	Working capital reduction (PoC) related mainly to Adwen projects
Tax working capital	(33)	-	
Assets held for sale (net)	-	-	
<b>TOTAL</b>	<b>8.088</b>	<b>434</b>	
Equity	(7.716)	-	
Provisions	(2.341)	(438)	Provisions increase mainly associated to the WTG division (Adwen)
OtherLT liabilities	(19)	4	
Net financial debt	1.988	-	
<b>TOTAL</b>	<b>(8.088)</b>	<b>(434)</b>	

### Expected impact of PPA on EBIT (through D&A) MM €:

- Q4 17: 124 mn €
- Peak impact on 2018: c. 360 mn €

This summarized balance sheet shows line items on net basis for example working capital or net financial debt as of the merger effective date of April 3rd.

**CAUTION CONCERNING Opening balance sheet (OBS) and Purchase Price Allocation (PPA) impact on balance sheet and P&L (D&A):** Information and statements made in this document are based on current estimates and certain assumptions of SGRE's management. These are subject to a number of risks, uncertainties and factors. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, the reported figures may (negatively or positively) vary materially from those described explicitly or implicitly. Additionally, the OBS and the PPA are still being reviewed by the company's governing bodies and being audited by the professional auditor and therefore could still differ materially. There is a twelve month review period from the merger effective date (April 3<sup>rd</sup>)

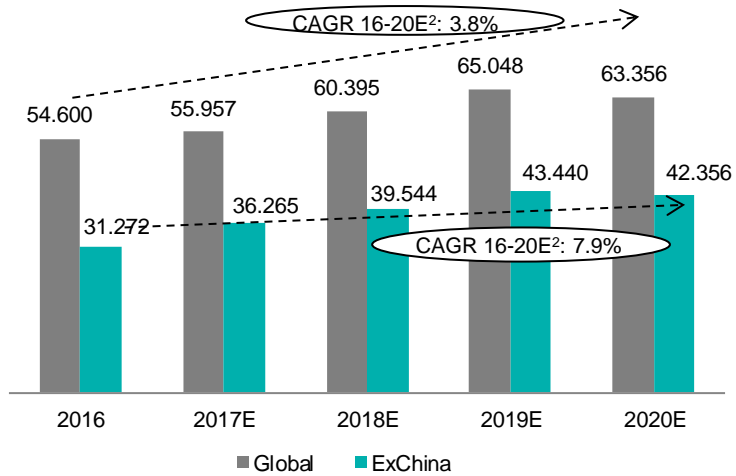
# Outlook



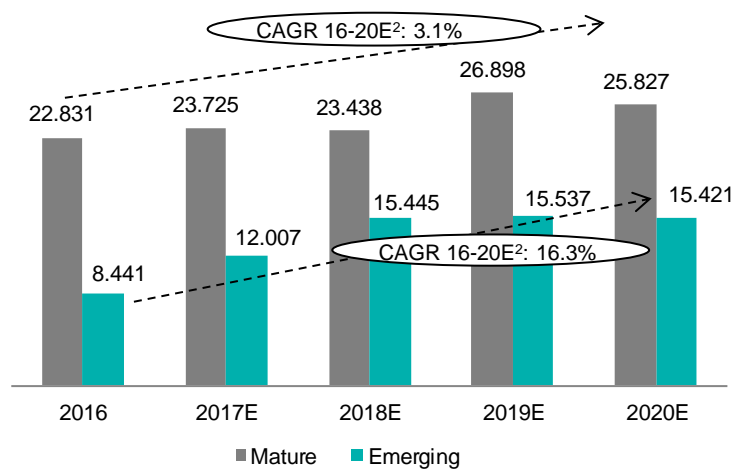


# Stable demand outlook

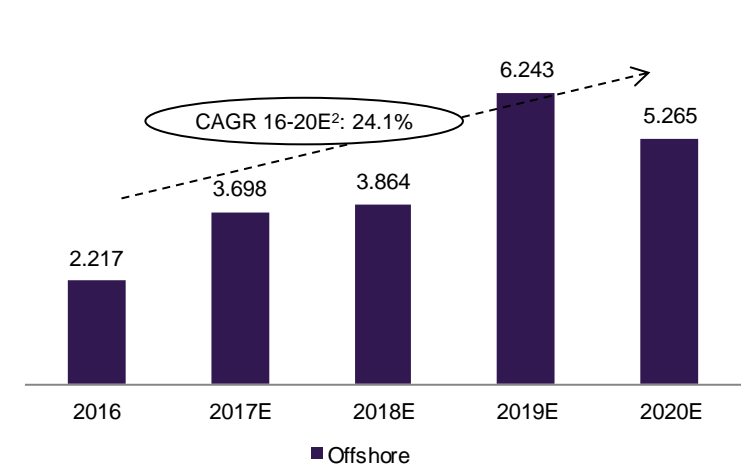
Wind installations 2016-2020E (MW)<sup>1</sup>



Wind installation ex China 2016-2020E (MW)<sup>1</sup>



Offshore wind installations 2016-2020E (MW)<sup>1</sup>



1. Source: BNEF and MAKE Q2 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 Q2 17 reports and GWEC reported figures for 2016 reported on February 10. Growth in mature markets includes growth coming from the offshore segment.

# But ST volatility due to the introduction of auction systems throughout major markets

## Scale and global reach needed to compete in the new markets

Country	Tender type	Wind capacity	Wind Energy Price
<b>Lat Am</b>			
<b>Brazil</b>			
Last tender (2015)	TC (Wind+Solar PV) BRL/M Wh pay as bid	548	203 BRL/M Wh (62 USD/M Wh)
<b>Mexico</b>			
March 2016	TC. Energy +CEL (USD/M Wh) pay as bid	394	55,44 USD/M Wh
October 2016	TC. Energy +CEL (USD/M Wh) pay as bid	1038	35,8 USD/M Wh
Upcoming (August 2017)	TC. Energy +CEL (USD/M Wh) pay as bid	Pending auction	Pending auction
<b>Argentina</b>			
RenovAR1	TS. USD/M Wh pay as bid	707	59,39 USD/M Wh
RenovAR2	TS. USD/M Wh pay as bid	765	53,34 USD/M Wh
<b>Chile</b>			
Upcoming (October 2017)	TC. USD/M Wh pay as bid	470	Pending auction
<b>EMEA</b>			
<b>UK</b>			
Last tender (Feb 2015)	TC. GBP/M Wh marginal	749	87,83 GBP/M Wh
<b>Italy</b>			
August 16	TS. EUR/M Wh pay as bid	800	66 EUR/M Wh
<b>Germany</b>			
May 2017	TS. EUR/M Wh pay as bid	807	57,1EUR/M Wh
Upcoming (Aug 2017 & Nov 2017)	TS. EUR/M Wh pay as bid	1000+1000	Pending auction
<b>Russia</b>			
5th Tender	TS. RUB/M W pay as bid	1651	-24kRUB/M W/yr +mkt electricity price
<b>Spain</b>			
January 2016	TS. EUR/M W marginal	500	0 EUR/M W. Only market electricity price
May 2017	TC (Wind+Solar PV+Other) EUR/M W marginal	3000	0 EUR/M W. Only market electricity price
Upcoming (26th July 2017)	TC (Wind+Solar PV) EUR/M W marginal	3000	Pending auction
<b>France</b>			
Upcoming (Nov 17)	TS. EUR/M Wh pay as bid	500	Pending auction
<b>APAC</b>			
<b>India</b>			
February 17	TS. INR/M Wh pay as bid	1000	3460 INR/M Wh (52 USD/M Wh)
Upcoming central Government (July 2017)	TS. INR/M Wh pay as bid	1000	Pending auction
Upcoming state tenders: Gujarat & Tamil Nadu	TS. INR/M Wh pay as bid	1000	Pending auction

TC: Technology neutral; TS: Technology Specific

### Introduction of auctions

(+) **Increased demand visibility** (2-3 years)

(+) **Increased volumes**

Re-activation of existing markets (Southern Europe) and introduction of new markets (Argentina, Russia...)

(-) **Increased volatility until new system becomes the norm**

(-) **More demanding markets**

Upcoming auctions in India should contribute to the normalization of the wind market in the coming quarters

## LTM Sept 17 guidance reflects a continuous impact of the Indian market suspension and an unfavourable project mix in Q4 17

MM €	Pro forma 9M June 17	Pro forma LTM Sept 17	Pro forma LTM Sept 16
Revenues	8.635	11,000-11,200	10.441
Underlying EBIT (pre-PPA)	801	c.900	945
Underlying EBIT margin (pre-PPA)	9,3%	≥8%	9,1%
Working capital to Sales	1%	-3% to +3%	3,2%
Capex	515	704	

- Q4 17 performance impacted by
  - expected continuation of the temporary suspension of the Indian market
  - unfavorable offshore project mix
  - pricing pressure
- Pro-forma LTM FY2017 guidance includes an estimate of impact of €60 mn losses coming from Adwen (c. €18 mn expected in Q4 17) vs. €47 mn losses in FY 2016
- PPA impact of €124 mn in Q4 FY 17

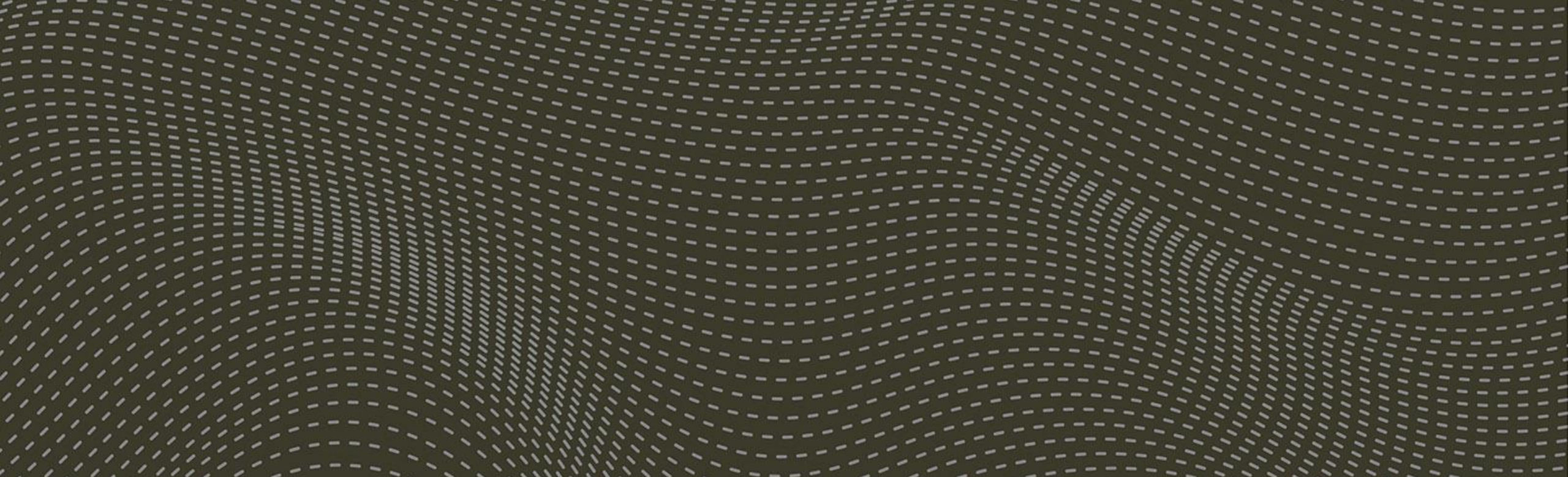
# Conclusion

# Siemens Gamesa Renewable Energy – Getting ready to succeed in a more challenging market



- **Integration proceeding according to schedule**
  - Speed of integration aiming at bringing forward synergy delivery
- **Announced annual synergies of €230 mn confirmed as minimum**
  - Main impact on Onshore activity
- **Q3 performance impacted by specific market conditions**
  - Revenues down 7% y-o-y with an underlying pre-PPA EBIT margin of c.7.8%<sup>1</sup>
    - Excluding the impact of India, revenues up 1,6% and underlying pre-PPA EBIT margin of 8.6%<sup>1</sup>
    - Service revenues up 8% y-o-y with an underlying pre-PPA EBIT margin of 16.1%
  - Net cash of 236 MM € as a result of working capital seasonality and capex
- **Pro forma guidance reflects the impact of market conditions and project mix on Q4:**
  - Pro forma 12M revenues @Sept 17 up c.6% with underlying EBIT (pre-PPA) flat y-o-y
- **Good demand prospects but market conditions more challenging**
- **Business Plan to be announced on November 15**

1. Pro forma data EBIT excluding integration costs and the impact on amortization of intangibles' fair value from the PPA and including the full consolidation of Adwen, standalone savings and normalization adjustments



# Thanks

July 26, 2017

**SIEMENS** Gamesa  
RENEWABLE ENERGY